

STATE OF VERMONT
PUBLIC SERVICE BOARD

DOCKET NUMBER 7970

PETITION OF VERMONT GAS SYSTEMS, INC.,
REQUESTING A CERTIFICATE OF PUBLIC GOOD,
PURSUANT TO 30 V.S.A. SECTION 248,
AUTHORIZING THE CONSTRUCTION OF THE "ADDISON
NATURAL GAS PROJECT" CONSISTING OF
APPROXIMATELY 43 MILES OF NEW NATURAL GAS
TRANSMISSION PIPELINE IN CHITTENDEN AND
ADDISON COUNTIES, APPROXIMATELY 5 MILES OF
NEW DISTRIBUTION MAINLINES IN ADDISON
COUNTY, TOGETHER WITH THREE NEW GATE
STATIONS IN WILLISTON, NEW HAVEN AND
MIDDLEBURY, VERMONT --

September 16, 2013
9:30 a.m.

100 State Street
Montpelier, Vermont

Technical Hearing held before the Vermont
Public Service Board, at the Montpelier Room, Capitol
Plaza Hotel, 100 State Street, Montpelier, Vermont, on
September 16, 2013, beginning at 9:30 a.m.

P R E S E N T

BOARD MEMBERS: James Volz, Chairman
David C. Coen
John D. Burke

STAFF: George E. Young, Policy Director
June E. Tierney, General Counsel
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Jane Palmer, Pro Se
T.J. Poor, DPS
George Nagle, DPS
Tamera Pariseau, DPS
Katie Durdy, Legal Intern
Peter W. Lind, VELCO
Jean-Marc Teixeira, VGS
Mr. LaForce, VGS
John Heintz, VGS
Jim Howe, VGS
Charles Pughe, VGS
Jeffrey Nelson, VGS
Allison Stone, DRM
Danielle Changala, DRM

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1 CHAIRMAN VOLZ: Okay. Good morning
2 everyone. We are here this morning in
3 Docket Number 7970 which is the petition of
4 Vermont Gas Systems, Inc. requesting a
5 Certificate of Public Good pursuant to 30
6 V.S.A. Section 248, authorizing the
7 construction of the Addison Natural Gas
8 Project consisting of approximately 43 miles
9 of new natural gas transmission pipeline in
10 Chittenden and Addison Counties,
11 approximately five miles of new distribution
12 main lines in Addison County, together with
13 three new gate stations in Williston, New
14 Haven and Middlebury, Vermont.

15 I would like to start by taking notices
16 of appearance from the parties'
17 representatives, and if you could also state
18 who you have with you, that would be
19 helpful.

20 Start on my left.

21 MS. PORTER: Louise Porter and Timothy
22 Duggan for the Department of Public Service,
23 and with us today are T.J. Poor of our
24 Planning and Economic Resources Division;
25 George Nagle, a Financial Utilities Analyst
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1 in the Economics Division; and Tamera
2 Pariseau, the Chief of our Consumer Affairs
3 Division.

4 MS. LEVINE: Sandra Levine, Conservation
5 Law Foundation.

6 MS. DILLON: Judith Dillon on behalf of
7 Vermont Agency of Natural Resources.

8 MR. SAUDEK: Richard Saudek for the
9 Vermont Fuel Dealers Association.

10 CHAIRMAN VOLZ: Need to use the mic if
11 you can or speak up. And does the
12 Department have a mic? I think we would
13 like to get one for them.

14 MR. SAUDEK: Richard Saudek for the
15 Vermont Fuel Dealers Association. And my
16 client isn't here right now, but he will be
17 here soon I expect.

18 MR. COEN: Is your mic working, Mr.
19 Saudek?

20 MR. SAUDEK: I think it is.

21 MR. COEN: Please speak into it next
22 time, okay?

23 MR. PETERSON: Richard Peterson on
24 behalf of the Vermont Land Trust. No one
25 present with me at the moment.
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1 MS. EGAN: Elizabeth Egan on behalf of
2 Vermont Housing and Conservation Board. No
3 one present presently.

4 MS. ZAMOS: Diane Zamos, Assistant
5 Attorney General here on behalf of the
6 Agency of Agriculture, Food and Markets.
7 And with me today is a legal intern in my
8 office Katie Durdy. D-U-R-D-Y.

9 MR. LOUGEE: Adam Lougee representing
10 the Addison County Regional Planning
11 Commission.

12 MR. KESSLER: John Kessler for the
13 Division for Historic Preservation. No
14 witnesses present with me.

15 MR. DIAMOND: Joshua Diamond on behalf
16 of the Town of Monkton.

17 MR. SCIARROTTA: Morning. Mark
18 Sciarrotta for VELCO. With me is Senior
19 Project Manager Peter Lind.

20 MS. FLORES: Julia Flores, Chittenden
21 Solid Waste District. No one else present.

22 MR. HAND: Geoff Hand here on behalf of
23 Agri-Mark/Cabot Creamery. Nobody with me at
24 the moment.

25 MR. PALMER: Nathan Palmer, pro se, with
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1 my wife Jane.

2 MS. HAYDEN: Kimberly Hayden on behalf
3 of the Petitioner Vermont Gas Systems. With
4 me is Mr. Gilbert, Ms. Simollardes, Mr.
5 Wark, Mr. Teixeira, all of whom are
6 witnesses of Vermont Gas. Mr. LaForce is
7 also here. He's a Vermont Gas engineer;
8 John Heintz is behind me. He's one of the
9 witnesses. And Jeffrey Nelson was here, he
10 has been in the room. He will be here
11 today.

12 We also have Charlotte Ancel from
13 Vermont Gas, and there are two associates in
14 the back of the room from Downs, Rachlin &
15 Martin that are observing this; Allison
16 Stone and Danielle Changala. C-H-A-N-G-A-L
17 -A.

18 MR. BURKE: We can hear you Ms. Hayden,
19 but you should speak into it.

20 MS. HAYDEN: Also Jim Howe, who has also
21 prefiled testimony on behalf of Vermont Gas
22 is sitting behind me, and Charles Pughe of
23 Vermont Gas is here. And he's in the very
24 back of the room. He has not filed
25 testimony. He's the Project Manager.
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1 CHAIRMAN VOLZ: Okay. Thank you. As
2 far as the microphones go, except for just
3 now, most of the time we'll be needing a
4 microphone for us, the witness, and whoever
5 is doing the cross examination. So make
6 sure when it's your turn to do cross
7 examination that you have a microphone lined
8 up for yourself and that you actually use
9 it.

10 A couple other preliminary matters. If
11 you want an Internet connection in this room
12 you should talk to the hotel, the front
13 desk. You can pay for it and they will
14 provide you with one. I don't know, I think
15 it's like 10 or 12 dollars a day, something
16 like that. The fee to us to provide it for
17 everyone was too great and we couldn't
18 justify that.

19 Also, parking; if you need parking here
20 there may be passes available. You should
21 also check with the front desk at the hotel
22 and you may be able to get a parking pass.

23 Otherwise I think now the main concern
24 is the schedule of witnesses. As I
25 understand it we are going to hear from Don
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1 Gilbert, Steven Wark, then Eileen
2 Simollardes. We have rearranged the order
3 that was originally proposed in a previous
4 filing. Followed by John Heintz, Jean-Marc
5 Teixeira, and then Eugene Guilford. And if
6 there is time, we would like to try to fit
7 in Vermont Housing Board's witness Hammer
8 and Vermont Gas Systems witness Howe. So
9 that's who we are going to be hearing from
10 today.

11 We would also like to talk a little bit
12 about the witnesses for whom no one had
13 cross examination and therefore they are not
14 on the schedule yet. We would like it if
15 the party -- we are going to have some
16 questions for most almost all of them. So
17 not too extensive, but some questions. So
18 they are going to need to come. We should
19 be able to allow one or two of them -- we
20 will let you know as soon as we have figured
21 that out -- we haven't figured that out yet.
22 For now you assume they all should come. If
23 you folks would talk among yourselves about
24 when to fit them in, that would be useful to
25 us.

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1 If there is time at the end of the day
2 today we will try and revisit that issue.
3 Otherwise we will talk about it some more
4 tomorrow morning. Be prepared to make
5 proposals about this tomorrow morning to our
6 staff at the premeeting.

7 And I think that's all that we have up
8 here. Are there any other preliminary
9 matters that the parties want us to take up
10 at this time? If not, then we will go
11 directly to hearing from Mr. Gilbert.

12 MR. COEN: Mr. Gilbert, do you want to
13 raise your right hand.

1 A. DONALD GILBERT, JR.

2 Having been duly sworn, testified
3 as follows:

4 DIRECT EXAMINATION

5 BY MS. HAYDEN:

6 Q. Good morning, Mr. Gilbert. Can you please
7 state your name for the record?

8 A. My name's Don Gilbert.

9 Q. And your occupation?

10 A. I'm the President and CEO of Vermont Gas
11 Systems.

12 Q. And do you have in front of you a document
13 entitled "Prefiled Testimony of A. Donald Gilbert, Jr. on
14 behalf of Vermont Gas Systems dated December 20"?

15 A. Yes, I do.

16 Q. And that document was prepared by you or under
17 your direct supervision; is that correct?

18 A. That's correct.

19 Q. And it consists of 19 pages of text; correct?

20 A. I believe so.

21 Q. Are there any corrections that you need to
22 make to this testimony at this time?

23 A. The -- line 15, I'm sorry, page 15 line one,
24 in my December 20, 2012 testimony we had an estimate of
25 cost of the project of 84 million. We have had -- Mr.

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1 Heintz I believe has testified on February 28 and updated
2 that. The current projection is 86.6.

3 We have had some additional work, we have been
4 working on settlements with a number of parties that push
5 the costs a little bit further, but Ms. Simollardes and
6 Mr. Heintz will be able to speak to that directly.

7 Q. And Mr. Gilbert, you also beginning on page 15
8 and continuing on to page 16 referred to a number of
9 witnesses including Mr. Lyons?

10 A. Yes. Mr. Lyons is no longer with Vermont Gas
11 and Ms. Simollardes will sponsor his testimony. She is
12 the Project Director now taking responsibility for the
13 project. Has changed a little bit from what we had
14 before. And we have also had Charles Pughe who is acting
15 as the overall Project Manager.

16 Q. And with these corrections and clarifications
17 is your testimony true and accurate to the best of your
18 knowledge and belief?

19 A. Yes, it is.

20 Q. And you also have in front of you three
21 exhibits that were prefiled on December 20, marked as
22 exhibit Petitioner ADG-1, ADG-2 and ADG-3?

23 A. Yes, I do.

24 Q. And were those prepared by you or under your
25 direct supervision?

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1 A. Yes, they were.

2 Q. Are there any corrections you need to make at
3 this time?

4 A. No. Other than to note I think Ms.
5 Simollardes has further information on the overall
6 competitive position, but they are correct and accurate as
7 of the testimony.

8 Q. Okay. And so they are true and accurate to
9 the best of your knowledge and belief with that
10 clarification?

11 A. Yes.

12 MS. HAYDEN: I move the admission of the
13 prefiled testimony and exhibits of Don
14 Gilbert.

15 CHAIRMAN VOLZ: Any objection?

16 (No response.)

17 CHAIRMAN VOLZ: Okay. They are
18 admitted.

19 (Exhibits marked ADG-1, ADG-2 and ADG-3
20 were admitted into the record.)

21 (The Prefiled Testimony of A. Donald
22 Gilbert, Jr., was admitted into the record.)

23

24

25

1 CHAIRMAN VOLZ: Is the witness
2 available?

3 MS. HAYDEN: The witness is available.

4 CHAIRMAN VOLZ: I guess we will start
5 with Ms. Levine.

6 MS. LEVINE: Thank you. As a
7 preliminary matter CLF labeled as an exhibit
8 CLF-1 which is four discovery responses.
9 CLF would like to move the admission of
10 those right now.

11 CHAIRMAN VOLZ: Any objection?

12 MS. HAYDEN: There are no objections.

13 CHAIRMAN VOLZ: They are admitted.

14 MS. LEVINE: Thank you.

15 (Exhibit CLF-1 was admitted into the
16 record.)

17 CROSS EXAMINATION

18 BY MS. LEVINE:

19 Q. Morning Mr. Gilbert.

20 A. Good morning.

21 Q. Do you have your prefiled testimony in front
22 of you?

23 A. I do.

24 Q. Okay. On page -- pages five through six of
25 your testimony you outlined how natural gas will help

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1 reduce Vermont's greenhouse gas emissions, and on page six
2 lines one through five you address the transportation
3 sector. Do you have that in front of you?

4 A. I do.

5 Q. As part of this proceeding Vermont Gas Systems
6 has not provided any specific analysis of the conversion
7 of the transportation fleet to natural gas; is that
8 correct?

9 A. We have not.

10 Q. And on page three of your testimony, lines 18
11 through 20, you note that a major increase in the North
12 American supply of natural gas has driven natural gas
13 prices down while the prices of alternative fuels like oil
14 and propane have continued to increase; do you see that?

15 A. That's correct.

16 Q. And do you agree that the use of hydraulic
17 fracturing in the past few years has reduced the price and
18 increased the supply of natural gas?

19 A. I think we have seen hydraulic fracturing
20 increase the supply of natural gas, oil and propane.

21 Q. Has it also reduced the price in recent years?

22 A. Yes, it has.

23 Q. And hydraulic fracturing for gas is not
24 allowed in Vermont; is that correct?

25 A. I don't know the details. I know that the
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1 legislature had a law regarding that. I don't know the
2 exact details of that. But the fact is that there really
3 wasn't shale gas to develop in the state. So I wasn't
4 focused on it.

5 Q. Do you not know whether hydraulic fracturing
6 for gas is allowed in Vermont?

7 A. I'm not sure of the exact details of what that
8 law says.

9 Q. Do you agree that a portion of the supply that
10 would be used by the Addison Natural Gas Project if it is
11 approved would come from sources that use hydraulic
12 fracturing?

13 A. I think it's likely.

14 Q. And would Vermont Gas agree to a condition
15 that it not use gas from sources that use hydraulic
16 fracturing?

17 A. I don't think that would be in the best
18 interests of our customers.

19 Q. So is the answer no?

20 A. No.

21 Q. And does Vermont Gas Systems have an
22 Alternative Regulation Plan?

23 A. We do.

24 Q. And in very general terms does that plan
25 decouple or separate the profits from the volume of sales

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1 of Vermont Gas?

2 A. I'm not sure if it specifically -- the plan
3 has done that. We have always said that we do not make
4 money from the sale of the commodity. So I believe we
5 have had that even before alternative regulation.

6 Q. Okay. So in light of that, in general terms
7 more of the Vermont Gas profit comes from the
8 infrastructure that's in place or the pipes in the ground
9 rather than from the sale of the cubic feet of gas; is
10 that correct?

11 A. We are allowed to earn a return on the
12 investment we make in our system, yes.

13 Q. So all other things being equal, if you sell
14 the same volume of gas through smaller infrastructure you
15 make less money.

16 A. I believe that's accurate.

17 Q. On pages 10 to 11 of your testimony, you
18 address the portion of the project that includes quote;
19 incremental facilities required to serve the Ticonderoga
20 Mill that are part of this project; is that correct?

21 A. That's correct.

22 Q. And serving the Ticonderoga Mill is not part
23 of the petition in this proceeding; is that correct?

24 A. Well it's related because we have included a
25 portion of the investment that would be required to serve
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1 the Mill, or it could be used for Rutland in the first
2 phase. So it is related to this and a portion of it.

3 Q. You're not asking for approval today from the
4 Board to serve the -- to serve the Ticonderoga Mill; is
5 that correct?

6 A. Not specifically to serve the Mill. But for
7 the facilities that would be related to it.

8 Q. And if Vermont Gas chooses to pursue serving
9 the Ticonderoga Mill, you would come back to the Board
10 with an additional request?

11 A. That's correct.

12 Q. But some of the pipes in the overall
13 infrastructure are larger in this phase of the proceeding
14 than they would otherwise be just to serve Middlebury; is
15 that correct?

16 A. Yes. I think Ms. Simollardes' testimony
17 addresses that. She explains that it made more sense to
18 include those pipes, the larger, longer pipe in
19 anticipation of Ticonderoga rather than to build a pipe
20 and then come back and have to replace it.

21 Q. But those -- those facilities or the size at
22 least of those facilities is not needed to serve
23 Middlebury; is that correct?

24 A. It's needed to serve future load that we see
25 even if we did not have Ticonderoga.

Q. And can you identify the analysis of the future load to serve existing companies -- the analysis of the future load that you're referring to? I don't recall that in the testimony that Vermont Gas Systems filed.

A. I think probably best talk to Eileen Simollardes about -- the project director. It was developed as we looked at that, we recognized the potential to eventually serve Rutland.

Q. So then it is not to serve load to Middlebury or just to Middlebury which is what the request today is for.

A. No. The request today is a combination. We are asking for approval of the expansion into Addison County serving several towns including Middlebury. But also the inclusion of a larger, longer pipe in anticipation of future loads.

Q. Is it fair to say then that you're asking for approval from this Board for facilities to serve customers that you're not presently asking to serve?

A. Do you want to repeat that? I'm not sure I followed that.

Q. Are you asking for approval today to enable Vermont Gas to serve customers in Rutland as well as Ticonderoga?

A. We are not asking specifically for approval of
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1 service to Ticonderoga today.

2 Q. What about Rutland?

3 A. Nor Rutland.

4 Q. The facilities that you are asking for
5 approval for today include infrastructure for a future
6 expansion that's not currently before the Board; is that
7 correct?

8 A. Let me be clear. When we build our pipeline
9 system whether it be transmission/distribution, we look
10 out in the future and see what's coming at us. I'll give
11 you an example.

12 Years ago with Williston as we developed a
13 pipeline we actually put in a large pipe that was needed
14 for the immediate load in anticipation of the future load.
15 So this is consistent with this. And it's a way to do it
16 in a manner that is much more efficient rather than come
17 back in after we build service just for the specific load
18 at the time, and having to put in additional facilities
19 not that much longer afterwards.

20 Q. So Vermont Gas reasonably anticipates the
21 future use of the capacity of that pipeline over the next
22 20 to 50 years?

23 A. We do. When we looked at the potential for
24 expanding natural gas in the state, we saw that 50 percent
25 of our population resided from the border down to Rutland.

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1 We looked at the potential for expanding the pipeline and
2 felt there were 16,500 customers in that corridor that we
3 could serve. So yes we are developing this in
4 anticipation of future development of service in the
5 state.

6 Q. And your testimony addresses some of the
7 claimed environmental benefits of this proposed project.
8 I would like to address some of the concerns that
9 Conservation Law Foundation and some other environmental
10 organizations have raised regarding this project.

11 A. Okay.

12 Q. Vermont Gas Systems established an advisory
13 group process that Mr. Wark discussed in his testimony; is
14 that correct?

15 A. That's correct.

16 Q. And you supported and approved the development
17 of that process; correct?

18 A. Yes. It was part of it.

19 Q. And one goal of that process was, as Mr. Wark
20 describes, to identify significant issues as early in the
21 process as possible; is that correct?

22 A. That's correct.

23 Q. And in general Vermont Gas Systems used the
24 advisory group process to inform Vermont Gas Systems'
25 decision making regarding this project?

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1 A. In general.

2 Q. And the process occurred from roughly January
3 through April of 2012?

4 A. I believe those are the correct dates.

5 Q. And Conservation Law Foundation was an active
6 participant in the process, attending three of the four
7 meetings that were held; is that correct?

8 A. I believe that's correct.

9 Q. And Vermont Public Interest Research Group and
10 Vermont Natural -- Vermont Natural Resources Council were
11 also participants in the process; correct?

12 A. I think they were invited. I don't know how
13 often they participated.

14 Q. Okay. Do you have before you what's been
15 marked as CLF-Cross-2?

16 A. I do.

17 Q. And do you recognize that as a letter to Don
18 Gilbert, Conservation Law Foundation, Vermont Natural
19 Resources Council, Vermont Public Interest Research Group
20 dated April 24, 2012?

21 A. I do.

22 Q. Have you seen this letter before?

23 A. I have.

24 Q. And do you agree that it was received by you
25 within a few days of the 24th of April?

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1 A. I don't remember exactly when it was received,
2 but I remember seeing it.

3 Q. About that time frame?

4 A. I assume so. I don't know. You have to check
5 and see when it actually -- it was time stamped in our
6 office.

7 Q. Okay. And to the extent Vermont Gas Systems
8 used the advisory group process to inform the petition it
9 filed, it would have also considered the issues raised in
10 this letter; correct?

11 A. The letter actually came after the conclusion
12 of the process, but I certainly looked at it and
13 appreciated the advice.

14 MS. LEVINE: I would like to offer
15 CLF-Cross-2 as an exhibit.

16 CHAIRMAN VOLZ: Any objection?

17 MS. HAYDEN: No objection.

18 CHAIRMAN VOLZ: It's admitted.

19 (Exhibit CLF-Cross-2 was
20 admitted into the record.)

21 BY MS. LEVINE:

22 Q. And Vermont Gas Systems has not proposed any
23 limitations on the use of gas in the pipeline, for
24 instance, only to replace oil or gas or not to be used for
25 a new generating facility; is that correct?

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1 A. We don't restrict the service to our
2 customers.

3 Q. And similarly Vermont Gas Systems has not
4 provide -- proposed any limitation regarding time frame
5 for the use of the gas in the pipeline?

6 A. Limitations on time frame? Can you explain?

7 Q. Time. Yes. Any limitations that the facility
8 would no longer be needed or anticipated to be used 50
9 years from now.

10 A. No. We have not.

11 Q. And would Vermont Gas Systems agree to a
12 condition that would limit the use of the gas delivered in
13 this pipeline either in terms of use or in terms of time?

14 A. Again I don't think that would be in the best
15 interests of our customers. So I would not.

16 Q. Thank you. That's all I have.

17 CHAIRMAN VOLZ: Thank you. Mr. Saudek,
18 I think you're the next person who signed up
19 for cross.

20 CROSS EXAMINATION

21 BY MR. SAUDEK:

22 Q. Hi.

23 A. Hi, Mr. Saudek.

24 Q. I would like to go back to the beginning with
25 Ms. Levine. That was quite a drop that the price of
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1 natural gas took in about 2008; wasn't it?

2 A. It wasn't just 2008. We started to see it
3 turn in that time frame, but it continued to track down.

4 Q. Can you -- it went to about what; a third or a
5 quarter of the price that it had been; is that right?

6 A. You know, this is subject to my memory, but I
7 think we had, back in the 2008 to 2000 time frame, they
8 had been seeing it drop to about 20 percent where natural
9 gas was 20 percent less than oil, fuel oil. I'm not sure
10 what it was with propane.

11 We have seen up where we are now over 40
12 percent less than fuel oil.

13 Q. But at that time around coming up to 2008, the
14 price of natural gas was in the range of about 12 to 13
15 dollars, was it not?

16 A. I'm not sure the specific price. I would have
17 to check.

18 Q. You don't remember that it was in that range?

19 A. I don't know the specific price back at that
20 time.

21 Q. And were you running the company at that time?

22 A. I was.

23 Q. It's now what; below four dollars; isn't it?

24 A. I believe that's correct.

25 Q. What -- you talked generally about hydraulic
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1 fracturing as a cause; is that correct, of this lower
2 price?

3 A. I think it contributed to the development of
4 production in the shale formations is what I think really
5 drove it. Hydraulic fracturing was part of the technology
6 that was used to develop that.

7 Q. Can -- this being an -- if you take my word
8 for the drop, and I wasn't running your company at the
9 time, can you -- that's quite a dramatic drop. Can you
10 give a little more precise reasons for it?

11 A. Precise reasons?

12 Q. Well did it have to do with regulation
13 perhaps?

14 A. I'm not sure what your question -- I'm not
15 aware of a specific regulation that resulted in that drop.

16 Q. I'm thinking specifically regulation of
17 hydraulic fracturing.

18 A. Not that I'm aware of. Not from what I was
19 hearing and have heard since then in the industry. No.
20 I'm not aware of some regulation that changed it and
21 resulted in that drop.

22 Q. Are you aware that certain -- certain
23 processes and certain entities were exempted from
24 regulation over hydraulic fracturing by the federal
25 government?

1 A. You know, I've heard opponents say that. But
2 I've seen regulation at state and federal level that still
3 very much applies to hydraulic fracturing, and if
4 anything, I actually saw the development of tighter and
5 stricter regulations related to the hydraulic fracturing
6 back in that time frame.

7 Q. Are you aware that the EPA has said it will
8 issue a report on the subject of hydraulic fracturing and
9 its effects, various environmental effects, and that they
10 have set a target date of next year to issue that report?

11 A. I'm aware that the EPA has issued several
12 reports. One on questions about air and water quality,
13 and I'm aware they continue to study it. Yes.

14 Q. But in particular they are planning, are they
15 not, a more comprehensive report on the subject that will
16 -- that will inform the public as to its effects, and they
17 have set as a target date 2014, is that not right?

18 A. I'm not sure about that date and specifically
19 what the plans are for report. I know they continue to
20 look at it. But again I think they have come out with
21 recent reports, so I'm more familiar with those than what
22 you're referring to.

23 Q. Don't you think that given the fact that this
24 subject is being intensively studied, studied, by the EPA
25 and elsewhere, and given the fact that it's been -- that

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1 fracking has been banned in Vermont, and that other states
2 are looking at it, it makes sense to defer for say a
3 couple of years your project until we can all get a handle
4 on this?

5 MS. HAYDEN: I'm going to object, and I
6 haven't objected up until now, but the issue
7 of hydraulic fracturing, there is no
8 fracking that's being proposed in Vermont.
9 And based on the Vermont Supreme Court
10 ruling in the Hydro-Quebec case, this Board
11 has jurisdiction to consider impacts outside
12 of the state to the extent that there is a
13 material impact within Vermont, so to the
14 extent that Mr. Saudek is referring to
15 environmental impacts outside of Vermont,
16 from our perspective, the only environmental
17 impact that could have the potential to have
18 a material impact within the state is
19 relating to greenhouse gas emissions.

20 CHAIRMAN VOLZ: Mr. Saudek?

21 MR. SAUDEK: Well my understanding this
22 is a widely debated question, but my
23 understanding is that the hydraulic
24 fracturing in the processes of extraction do
25 in fact contribute to greenhouse gas or at
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1 least it's so far assumed that. And what
2 I'm trying to get at is whether it makes
3 sense to wait, as I said, make sense to wait
4 until we can get a little more answer on
5 that.

6 CHAIRMAN VOLZ: We are going to overrule
7 the objection. We think this line of
8 questioning also goes to economics and could
9 be useful on that issue as well. So we are
10 going to allow this to continue.

11 THE WITNESS: Can you read the question
12 back please?

13 (The record was read as requested)

14 THE WITNESS: The answer would be no,
15 and let me explain. We have seen hydraulic
16 fracturing develop fairly recently certainly
17 in the energy industry. But it's been a
18 technology that has been used for decades in
19 the water drilling industry, and has
20 developed over time here, natural gas, and
21 now we are seeing it for oil and propane.

22 I think there is a lot of study that has
23 been done, in particular in Pennsylvania, we
24 spent some time learning more about it
25 before we pursued this project. And I think
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1 there has been a lot of thought put into it.

2 And I've seen around the country as I
3 attend industry conferences a lot of
4 interest in developing more. I've heard
5 places like North Carolina talking about
6 wanting to get into this. California has
7 defined the rules for it. So for Vermont to
8 deny Vermonters access to the lower price
9 and cleaner benefits of the gas that's now
10 being produced I don't think would be in the
11 best interest of the state or our customers.

12 BY MR. SAUDEK:

13 Q. Would you agree that if hydraulic fracturing
14 is clamped down on by the government so that -- or the
15 legislatures, so that it goes back to the pre-2008 era in
16 terms of the techniques of extracting gas, your prices
17 would most likely go up?

18 A. Well I think the important thing is what the
19 competitive position is. And if, as you say, there were
20 some clamping down on fracking, I think it would affect
21 several fuels. And so it's hard to say what the relative
22 relationship would be, but I think it would affect the
23 price of oil, the price of propane as well. So it's hard
24 for me to say exactly what would happen if that were to be
25 the situation.

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1 Q. What about natural gas though? The likelihood
2 would be that it would go up; wouldn't it?

3 A. Could.

4 Q. Could. Why didn't you in your testimony and
5 in your initial submittal of the company try to quantify
6 methane leaks going back upstream up the system?

7 A. Can you refer to where I did that in the
8 submittal?

9 Q. Well your numbers and Ms. Simollardes' numbers
10 are basically, as you say, I believe at the burner tip.
11 They are your pollution numbers that you originally gave
12 us. They are not life cycle; right?

13 A. In the original analysis we did a burner tip
14 analysis.

15 Q. Yeah. Why did you not at that time give us
16 your best estimate of leaks upstream, methane leaks
17 upstream on your delivery system?

18 A. Well I think the question you're asking me is
19 whether -- why we didn't do a life cycle analysis at that
20 time. Is that the question?

21 Q. Sure.

22 A. And we felt that there was enough analysis
23 already out there that people recognized natural gas was a
24 cleaner fuel than oil or propane or coal, and therefore we
25 didn't feel it was necessary. We felt that by looking at

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1 the burner tip where the fuel was actually being used in
2 Vermont was sufficient to establish some of the
3 significant economic -- or environmental benefits of
4 utilizing natural gas instead of fuel oil.

5 Q. You have seen various estimates and various
6 averaging and the attempt to -- attempts in prefiled by
7 these witnesses in this case to try to put a number on the
8 methane leaks upstream.

9 What number do you think makes sense? Is
10 there a percentage number that you would -- that you
11 believe makes sense?

12 A. Well I think we have addressed that in Joel
13 Bluestein's testimony in which he's gone through and done
14 a fuel life cycle analysis and taken into account any kind
15 of emissions from the process on both sides, on the
16 production of natural gas and on the production of oil. I
17 don't have a specific level, but I think if you look at
18 his testimony you'll see what the assumptions are that he
19 used in developing that.

20 Q. Okay. You don't -- yourself though you
21 haven't made your own inquiry into that.

22 A. No. What we do -- we focus on our system.
23 And Vermont Gas takes great pride in what we've done in
24 replacing the old bare steel and cast iron system. We
25 have a very tight system and a very low level of emissions

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1 from that, but I haven't gone beyond that and tried to do
2 my own analysis of what the system is upstream of that. I
3 know that Joel Bluestein did his analysis taking that into
4 consideration.

5 Q. Given the methane contributes to global
6 warming, why don't I ask you; methane is a greenhouse gas,
7 isn't it?

8 A. I understand it is.

9 Q. Given that, don't you think it is reasonable
10 for the Board to take into account probable methane leaks
11 on the lines that feed you right back up to the source?

12 A. Well as I said in the life cycle analysis, I
13 think it makes sense to look at the emissions from the
14 entire process when you do a life cycle on both sides.

15 Q. And if there are methane leaks they will
16 contribute to world greenhouse gas, right?

17 A. If there are leaks of methane, it could
18 contribute to, yes, it would. As from the reports that
19 I've seen.

20 CHAIRMAN VOLZ: Mr. Saudek, by the way,
21 you signed up for 10 minutes. You're now 16
22 minutes into your cross.

23 MR. SAUDEK: I have a few more.

24 CHAIRMAN VOLZ: That's fine.

25 BY MR. SAUDEK:

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1 Q. I believe in response to Ms. Levine's
2 questioning you talked about-- you suggested in effect
3 that the infrastructure is basically where you receive
4 your return from the system; is that right? Is that a
5 fair --

6 A. That's fair.

7 Q. What do you pay -- just in MCF -- what do you
8 pay wholesale and what do you charge retail overall --

9 A. I don't have --

10 Q. -- today?

11 A. I don't have the specific price. You can ask
12 Ms. Simollardes who does both our rates and our supply and
13 get the specifics on that.

14 MR. SAUDEK: Thank you. I have nothing
15 else.

16 CHAIRMAN VOLZ: All right. Thanks. You
17 two are the only parties that signed up for
18 cross.

19 I think we are up to the Board's
20 questions. Do you have questions? Or does
21 Jay? Go ahead.

22 MR. YOUNG: Morning, Mr. Gilbert.

23 THE WITNESS: Good morning.

24 MR. YOUNG: So let me just follow up on
25 the line that Mr. Saudek was just asking
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1 you. He was getting at the potential
2 effects of changes in federal regulation of
3 hydraulic fracturing.

4 Has VGS -- I mean you've presented a
5 cost/benefit analysis and a full economic
6 analysis of this project. And I know it's
7 through other witnesses. Have you looked at
8 what the potential effects of that would be
9 -- of changes in federal policy might be on
10 your ability to get additional customers and
11 therefore make the project cost effective?

12 THE WITNESS: No. We have not looked at
13 potential change and how it would affect the
14 customers.

15 MR. YOUNG: To your knowledge if there
16 were say a 10 percent increase in the price
17 of natural gas, let's just say because of
18 hydro fracturing bans you have less gas
19 available, would that affect the cost
20 effectiveness?

21 THE WITNESS: I think it would. But I
22 think we would still have a very strong
23 competitive position even with that kind of
24 increase. I guess the one thing I would say
25 that I have looked at -- one of the things
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1 that has been raised is there are potential
2 for the export of LNG to affect it. And
3 what I've seen is an analysis that doesn't
4 seem to -- even the projections I've seen
5 have any kind of significant effect.

6 MR. YOUNG: And by referring --
7 basically you're -- are you inferring that
8 because there is enough gas supply where you
9 can export LNG, and therefore there is
10 enough of a buffer there that -- on the
11 supply side. I mean is that the logic train
12 that you're trying to get at by looking at
13 the LNG exports?

14 THE WITNESS: I haven't done the
15 analysis. But what I've seen in analysis is
16 even with the exports that are expected
17 there is sufficient supply that natural gas
18 prices will continue to be low and
19 competitive with the alternatives.

20 MR. YOUNG: And is it your expectation
21 that if supply started becoming constrained
22 the first thing that would go would be the
23 LNG exports so that --

24 THE WITNESS: That's a reasonable
25 thought.

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1 MR. YOUNG: Let me -- in your testimony
2 at page seven you talk about your recent
3 experience in Jericho.

4 THE WITNESS: Yes.

5 MR. YOUNG: And you refer to some of the
6 penetration rates you've seen there. Are
7 you anticipating the same success in
8 Middlebury? And just -- this may be
9 redundant with some of the questions that I
10 ask Ms. Simollardes that are coming in that
11 way, and if they are, we can refer them --
12 refer me in her direction. But --

13 THE WITNESS: She will certainly want to
14 address it as well. But let me just say we
15 saw a pretty high level of penetration in
16 Jericho. Actually surprised. We went in
17 thinking we are going to get 200, 250
18 customers; we got 450. We have 600
19 customers today. A very high level of
20 penetration. I don't think we have assumed
21 that high level as we have developed it.

22 She can clarify. But one of the
23 important things to recognize, and we have
24 seen this as you go into a new area that
25 isn't as familiar with natural gas you may
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1 not have the same results as you do in an
2 area that is more familiar with it and
3 comfortable with it.

4 MR. YOUNG: In other words, heading to
5 Middlebury you may not get the same take
6 rate you would see in an area that's
7 expecting natural gas like Jericho?

8 THE WITNESS: I think there is that
9 possibility initially. A lot of times when
10 we go into new areas we find that there are
11 some individuals who are ready to sign up
12 right away and very familiar with it.
13 Others wait and see what the experience of
14 their neighbors have been.

15 So I think we may see some of that down
16 in Middlebury area. I can't quite quantify
17 what that would be. But Jericho -- in the
18 recent experience in areas like Jericho and
19 Richmond we had a very high level. Even
20 Hinesburg and Enosburg people are so
21 enthusiastic about natural gas.

22 I expect we will also find we have had a
23 very high level of saturation early on.

24 Those are communities that are closer to
25 areas that currently have more natural gas

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1 and are more familiar with it.

2 MR. YOUNG: In terms of your cost
3 effectiveness analysis or your financial
4 analysis of the project, is the take rate of
5 customers a major component or at least for
6 this expansion are you relying in large part
7 upon the expectation that you're going to
8 pick up a bunch of the large industrial
9 customers, and they are going to have a
10 substantial part of the gas usage?

11 THE WITNESS: That certainly is an
12 important factor. As we have looked at
13 Middlebury with the industrial park just
14 north of town, the businesses there are
15 providing an anchor. Cabot is a very
16 important customer in that area. That
17 helps, but it will not provide and cover the
18 entire cost of that project.

19 MR. YOUNG: Let me switch topics. Page
20 13 you talk about the project schedule.

21 THE WITNESS: Yes.

22 MR. YOUNG: You're talking about trying
23 to construct in 2014. And what's your --

24 (Microphone noise.)

25 MR. YOUNG: Is that me creating --
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1 MR. COEN: No, it's not you.

2 MR. YOUNG: I have no idea. I'm used to
3 creating disruption.

4 MR. COEN: Yes, you are.

5 MR. YOUNG: What's your lead time for
6 ordering equipment and supplies? And what
7 I'm trying to get at is when do you need a
8 decision from the Board in order to meet a
9 2014 construction season and be in service
10 by presumably November of 2014 for the large
11 industrial customers?

12 THE WITNESS: It's important to us to
13 see a decision by the end of the year. We
14 -- there are some things we can do to
15 preorder equipment, but it's important for
16 us to get as early as possible.

17 The other aspect of this is we need to
18 be constructing -- I think Mr. Heintz can
19 speak to this more -- in I believe it's
20 February. We actually need to start some of
21 the directional drills. So having an order
22 by the end of the year would be very
23 important.

24 MR. YOUNG: And if you don't have it --
25 if it slid by several months, that's not a

1 prognostication by the way.

2 THE WITNESS: I understand.

3 MR. YOUNG: If it slid by several months
4 would that impair the ability to get in
5 service by 2014?

6 THE WITNESS: It could. It definitely
7 could.

8 MR. YOUNG: Anticipating future work
9 loads; to the extent you are unable to reach
10 easements with all the customers en route,
11 does that mean that we are likely to see
12 requests -- assuming this is approved, are
13 we likely to see requests for rapid
14 condemnation proceedings?

15 THE WITNESS: Well first I would hope we
16 could reach settlement with the parties. If
17 we did not, we would be in front of you I
18 think addressing that. I don't know if we
19 have to ask for rapid, but I certainly think
20 we would be asking for them to be moved
21 through in a timely order.

22 MR. YOUNG: Page 17 of your testimony
23 you mention -- one of your pluses is being
24 able to do the project without upward
25 pressure on rates.

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1 Now aren't existing ratepayers already
2 paying essentially five percent above what
3 the cost of service would otherwise show?

4 THE WITNESS: The System Expansion
5 Reliability Fund included funding that --
6 out of existing customers' rates. Yes.

7 MR. YOUNG: So in fact, you're not going
8 to have future upward pressure, but the
9 upward pressure on -- for existing customers
10 has already occurred.

11 THE WITNESS: That is correct.

12 MR. YOUNG: I want to talk a little bit
13 about your proposal, and basically think
14 broadly about line extensions.

15 THE WITNESS: Okay.

16 MR. YOUNG: Which is what's -- what kind
17 of time horizon does Vermont Gas typically
18 look at when looking at doing line
19 extensions?

20 THE WITNESS: We usually -- we try to
21 plan out at least two years. And it's a
22 combination of factors why it's important to
23 do it. One is the lead time and working
24 with communities and seeing what level of
25 interest there is. And then I think the
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1 other important one is making sure we have
2 sufficient capacity. Because we have to be
3 planning for and developing additional
4 looping, if we find that we have a large
5 level of growth.

6 So we try to look out two years.

7 MR. YOUNG: And let me go to the
8 question I was trying to ask that I didn't
9 ask because you answered the one I did ask.

10 I was actually focusing in terms of the
11 cost effectiveness. When you look at a
12 project, you looked at Jericho, you looked
13 at Richmond, recent things you've done,
14 you've recently expanded into or relatively
15 recently into Hinesburg.

16 THE WITNESS: Correct.

17 MR. YOUNG: When you look at that, do
18 you have a particular time horizon under
19 which you need the project to pay off and,
20 you know, it has to be -- fully recover all
21 your costs in 10 years, or is there a
22 particular model that VGS employs?

23 THE WITNESS: Well the feasibility
24 analysis we have used, the line extensions
25 that you've referred to, has looked out 10
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1 years for specific distribution expansions.
2 Longer term on this project we -- a lot of
3 it is can we develop this expansion down to
4 Addison County in a manner that will
5 maintain a competitive, good competitive
6 position for our existing customers. And
7 that's really been our focus on this
8 expansion.

9 MR. YOUNG: Well you're getting exactly
10 what I was trying to get at. You're
11 applying a different test here than you have
12 to your traditional line extensions; is that
13 correct?

14 THE WITNESS: Well to some degree, I
15 think we also as we looked at -- I'll use
16 Williston as an early example. Williston
17 didn't have sufficient load early on to
18 support the expansion. We built additional
19 capacity in anticipation of its growth and
20 that was supported by the existing
21 ratepayers to do that.

22 Hinesburg; Hinesburg we weren't sure how
23 that would grow. It's actually grown well.
24 But we do try to take an approach that looks
25 at the blended pricing and whether this
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1 would have upward pressure on rates. And
2 what we try to do is go back to those
3 communities that we have been serving for
4 some time, keep doing in-filling that will
5 support as much expansion as possible.

6 MR. YOUNG: Just a curiosity, you
7 mentioned Williston. Are you talking the
8 expansion out to Taft Corners?

9 THE WITNESS: Yes. We actually went to
10 Taft Corners and to the school years ago.
11 We couldn't justify initially just the
12 school, there wasn't enough of a market.
13 Now Williston is supporting expansion into
14 other communities because there has been so
15 much growth in that community.

16 MR. YOUNG: Personal curiosity was more
17 because of the Taft Corner expansion I think
18 was my first case at the Department. So we
19 go back a ways.

20 THE WITNESS: That was a long one.

21 MR. YOUNG: A long time. Yeah. Not a--
22 not long otherwise.

23 I guess what I'm trying to get at is are
24 you applying a different decision rule here
25 than you have traditionally to the
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1 expansion? Because one of the things that
2 the Board has expressed interest in in the
3 past and the Department has expressed
4 interest is getting VGS to build out. And I
5 think it's safe to say there hasn't always
6 been a meeting of the minds as to the
7 rapidity with which build out occurs; is
8 that fair to say?

9 THE WITNESS: I guess that would be fair
10 to say. I have been doing this for Vermont
11 Gas Systems for 26 years, and I've seen
12 different levels of interest in expansion.
13 There have been times when we have had a
14 strict growth pays for growth approach, and
15 we have had others when we have really been
16 encouraged and actually criticized for not
17 working to expand further.

18 What we have tried to do with this
19 project is find a good balance that will
20 continue to provide these significant
21 economic environmental benefits that we have
22 seen in Chittenden and Franklin County to
23 others counties like Addison and Rutland
24 while still maintaining a competitive
25 position to our existing customers.

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1 So it is a balancing, is that different
2 than what we have done? We have done
3 different things over the years, but that's
4 a focus that we have at this point, trying
5 to maintain that balance. Keep the
6 competitive position, while we work to bring
7 service to more Vermonters.

8 MR. YOUNG: Correct me if I am wrong, is
9 this the -- well, now I'm going to ask it as
10 a question as opposed to a statement. Is
11 this the first time that the project
12 expansion has actually been linked to a rate
13 adjustment?

14 In other words, you know, it came
15 through in the expansion fund. But there is
16 essentially five percent above where the
17 rates would have been. Has there been
18 another time where one of these expansions,
19 Jericho, whatever, has directly led to rate
20 adjustments because of the nature of the
21 expansion?

22 THE WITNESS: I have to think back here.
23 I don't think we have had one where -- and
24 let me maybe say, not to this magnitude
25 clearly. I don't know whether we may have
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1 seen the impact of one of those expansions
2 affect rates slightly. But when I say
3 slightly, again it evolves around the
4 competitive position.

5 The key here is the magnitude of it. We
6 have been serving Chittenden, Franklin
7 County for almost 50 years and we are trying
8 to bring gas down to Addison County. The
9 state's very rural. It's a long way between
10 the load centers. And so we really -- this
11 is a magnitude that is much greater, and
12 therefore, we felt we needed to come and
13 seek the expansion fund in order to support
14 that.

15 MR. YOUNG: I guess the reason I'm
16 asking the questions is, you know, at least
17 it appears to be a different way of looking
18 at line extensions than some of the past
19 line extensions. And the question is -- I'm
20 trying to explore -- is this a test that the
21 -- that you think the Board and VGS, for
22 that matter, ought to be adopting in the
23 future in terms of looking at line
24 extensions, and maybe that will promote more
25 expansion of the system. Or I mean
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1 obviously you're thinking of going to
2 Rutland, you know, maybe in somebody's
3 dreams Waterbury. I mean I don't even know
4 -- I've never -- I haven't heard it
5 mentioned in a long time. But you know, is
6 this the type of model that you think ought
7 to be adopted?

8 THE WITNESS: Let me start with saying I
9 don't know that it's that different than
10 what we have done. If you think about the
11 entire expansion or history, at Vermont Gas
12 we were formed because there were 6 to 7,000
13 customers down in Burlington, and we could
14 -- apparently they could justify bringing
15 the transmission line down to displace the
16 manufactured gas that was being used.

17 If we were just focused on a very, very
18 strict growth pays for growth, I think you
19 would see a different pattern of development
20 and expansion in Vermont than what we have
21 seen. I think what you would see is
22 primarily Burlington, the most concentrated,
23 most populated area, would have natural gas
24 service, and some other communities would
25 not.

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1 So I think we have had an approach that
2 has been willing to support, have existing
3 markets support new markets. Again I think
4 it comes back to the magnitude of it. This
5 is very significant. In Vermont we wouldn't
6 have electricity up on the ridgelines
7 without the Rural Electrification Act. We
8 don't have a Rural Gasification Act. And so
9 as I sought opportunities and dollars to
10 support further expansion, we found we had
11 to come back home, and there wasn't federal
12 dollars, there weren't state dollars. We
13 needed to build the fund in order to support
14 that.

15 So to some degree, yes, it's different,
16 but it's not. I'm sorry, to say -- to say
17 it's confusing, but again I think it's the
18 magnitudes of it. It's such a large
19 expansion, and I mean again on the electric
20 side you didn't see electricity except for
21 rural electric -- rural gas -- Rural
22 Electrification Act. That was a big thing
23 to move out into those rural areas.

24 That's where we are. We have served the
25 most populated areas in Vermont already.

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1 There was a study done awhile back that
2 looked at that and said we already are
3 serving the most populated areas in Franklin
4 and Chittenden County. Now as we expand out
5 to bring the service to more Vermonters, we
6 are using the same concept but the
7 magnitudes I think challenge us to think
8 more broadly about it.

9 Does that answer your question?

10 MR. YOUNG: Yeah it does. I'm just
11 trying to -- it does somewhat. I mean I do
12 want to quibble with one thing you
13 mentioned. You're sort of strict growth
14 pays for growth. Obviously if you take that
15 far enough you never build anything.

16 THE WITNESS: Right.

17 MR. YOUNG: Because absent, you know,
18 contribution in aid of construction where
19 it's prepaid, you would never build
20 anything. And that's -- when we are talking
21 about the trade-offs on line extensions
22 that's really not what we are talking about
23 is sort of that narrow, I don't think anyone
24 has ever advocated that. Perhaps. I may
25 want to retract that statement.

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1 I think I'm actually going to leave it
2 there. I'm trying to figure out, is this
3 different, is this a good thing, you know,
4 because it's different. And that's why I
5 was trying to explore that.

6 THE WITNESS: I'll just say that trying
7 to wrap up this line of questioning that
8 you've asked, we -- when we were formed in
9 '65 we had the franchise to serve the state.
10 And as you point out, there have been
11 different views over the years about how
12 effectively we have been doing that.

13 And we are hearing from Vermonters they
14 want more natural gas service. I hear it
15 every day when I'm out and about people stop
16 me and ask if they can get service. I had
17 somebody want service in Wells River. I had
18 to tell them I didn't think we would get
19 over that far. But in those areas where we
20 can I do think we need to follow as much as
21 possible the existing policies and
22 practices, but also be flexible in doing
23 that.

24 And this balance between expanding to
25 serve as many Vermonters as possible while
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1 maintaining a competitive position, I think
2 is the way that we have come to, that we
3 think we can do it. We are looking at and
4 thinking about the potential to expand into
5 other corners of the state with individual
6 lines and possibly looking at zoned rates in
7 those areas.

8 In this case, it's a contiguous area, we
9 think it makes sense to use the existing
10 market and develop one rate for that entire
11 market. I think the benefits are so
12 significant it makes sense to do it this
13 way.

14 MR. YOUNG: Great. Thank you. I think
15 you've answered what I wanted to go at. I
16 have been informed by the Board members that
17 I should probably do an identification. I'm
18 George Young, Policy Director of the Public
19 Service Board.

20 MR. COEN: I'm David Coen, a member of
21 the Public Service Board. Good morning.

22 THE WITNESS: Good morning, Mr. Coen.

23 MR. COEN: I have a couple of questions
24 for you. One is that, you know, when I
25 visit with my colleagues around the country,
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1 particularly from Oklahoma and Texas, and
2 they certainly have a different view of the
3 world than we do, they tell me they want to
4 know what the problem is with Vermont in
5 hydraulic fracturing. That hydraulic
6 fracturing has been around for years, and
7 the process has been used to extract gas for
8 years. Even though only recently it has
9 become controversial.

10 Can you comment on that?

11 THE WITNESS: Well I've seen the same
12 thing. And I've certainly seen it as I've
13 traveled around the country, but I've also
14 seen it close to home in areas where we
15 currently serve.

16 There is -- one of the things I
17 participate in is the American Gas
18 Association has leadership council that
19 meets a couple times a year. And I have a
20 chance to ask questions of my colleagues in
21 the industry about what they are seeing in
22 other areas.

23 Early on as the hydraulic fracturing was
24 developing and we saw the shale gas
25 development, we saw, quite frankly, people
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1 were skeptical; whether we would really see
2 it develop as far as it has. As it
3 developed there is a lot of questions about
4 the process and hydraulic fracture. What
5 I'm hearing more and more as I attend these
6 conferences is people have addressed it, the
7 regulatory agencies and others have
8 addressed it in states, and the people are
9 becoming more comfortable with it. We are
10 seeing it develop further.

11 So coming back to your specific
12 statement, I too have seen many people
13 question why is this an issue and I'm not --
14 I've seen the concerns tapering off as I
15 have gone to these meetings over the years.

16 MR. COEN: Well I'm not sure you're
17 addressing the question I asked.

18 THE WITNESS: Okay.

19 MR. COEN: How long has gas been fracked
20 in this country?

21 THE WITNESS: I don't know that.

22 MR. COEN: Or in Canada?

23 THE WITNESS: I don't know the specific
24 time frame. Well there are different types
25 of fracturing -- hydraulic fracturing.

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1 MR. COEN: Right; right.

2 THE WITNESS: So there has been a long
3 history of some types of hydraulic
4 fracturing. What you're hearing the most
5 recent concerns about are some of the newer
6 technology that was adopted from the water
7 industry.

8 MR. COEN: But in essence in order to
9 extract gas for -- it's been in our lifetime
10 it's probably been fracked in some way,
11 shape or form.

12 THE WITNESS: I believe that is correct.

13 MR. COEN: Okay. And another area. In
14 terms of this pipeline you're proposing to
15 build down to Middlebury your testimony
16 basically at this point it's oversized from
17 what the projected need is; is that correct?

18 THE WITNESS: In anticipation of
19 Ticonderoga and Rutland, yes.

20 MR. COEN: And would you say that's
21 consistent with the way maybe VELCO proposes
22 to build a transmission line, you don't fill
23 it all the first day.

24 THE WITNESS: That's an interesting
25 question. The electric industry is

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1 different than gas. And so my understanding
2 is yes, you have to put in a certain size
3 capacity because you can't build segments of
4 it like you can in the gas industry. But
5 it's consistent with what our practice has
6 been.

7 We tried to anticipate growth, like I
8 said in Williston, and build it to a size
9 that we think will accommodate that.

10 MR. COEN: In terms of some questions
11 that Mr. Saudek asked you regarding leakage
12 of methane, this last few months I was able
13 to take a look at a new technology for
14 detecting methane leaks, and I think the
15 company was named Pecaro, it may not be the
16 sole company using that technology. You get
17 in a vehicle, and they have this satellite
18 or something on their roof and they find --
19 you can spot a methane leak within a half a
20 mile or something of where you are. Are you
21 familiar with that?

22 THE WITNESS: I've heard of technology
23 like that. I don't know if I know that
24 specific technology. I know part of the
25 Northeast Gas Association has a group that's
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1 continually doing research trying to refine
2 and develop new means for looking for and
3 detecting gas. And so I'm not surprised to
4 hear that's developed.

5 MR. COEN: This technology happens to be
6 refined enough that you can distinguish
7 between a pipeline and a cow.

8 THE WITNESS: That's good. Especially
9 in Vermont.

10 MR. COEN: Yes. So the question I have
11 is particularly with this expansion is the
12 company investigating for its own use some
13 kind of a technology such as this one in
14 order to be able to have a better handle on
15 any kind of leakage situation?

16 THE WITNESS: We continually watch for
17 what's happening in the industry. And we
18 try to adopt the best practices. We aren't
19 out under the cutting edge on R&D because we
20 are a small company.

21 You might want to ask that question of
22 Mr. Howe who is probably pretty familiar
23 with what's going on around the country with
24 some of this.

25 Vermont Gas would be very quick to adopt
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1 it. We have actually been doing some of the
2 integrity management work utilizing new
3 technology that has developed recently, and
4 so we try to utilize it once it becomes
5 commercial.

6 MR. COEN: Well you are a small company,
7 but you're owned by a much larger gas
8 company; is that correct?

9 THE WITNESS: We are, yes.

10 MR. COEN: Is this something -- this
11 technology could be shared from your parent
12 company, or is everything separate with what
13 you do?

14 THE WITNESS: Well it's separate, but we
15 certainly benefit from the knowledge they
16 have. And they have had R&D in the past
17 that I think we have benefited from, and we
18 certainly watch what's happening.

19 Again, we try to adopt the commercial
20 applications. Sometimes we have tried to
21 get involved, you know, internal pigging is
22 a good example. As they developed these
23 internal pigs that could end up being used
24 to go through piggable lines, the R&D work
25 that was done -- early on we said we would

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love to do that. We are too small. They want to do it with a much larger company.

I'm not sure I answered your question.

MR. COEN: That's correct. I assume one of these vehicles -- one of these units is probably very expensive. It may not be an appropriate expense for Vermont Gas, but very well may be an expense for Gaz Metro. Is this something that you could borrow or lease from Gaz Metro to use? Is that the kind of relationship you have with your parent company, or are you completely separate?

THE WITNESS: No. If they had technology that we couldn't afford, we certainly would have -- we have the kind of relationship that we could borrow or lease that type of technology from them. And we have worked with them on many things like that.

MR. COEN: Thank you.

THE WITNESS: I'm sorry. I didn't fully understand the question.

MR. COEN: It's all right.

MR. BURKE: Morning, Mr. Gilbert.
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1 THE WITNESS: Morning, Mr. Burke.

2 MR. BURKE: The LNG issue sort of
3 intrigues me. If a supplier could
4 conceivably make more money directing its
5 supply of gas for LNG export, isn't it
6 likely that's where they would send it?

7 THE WITNESS: I would think so. Yes.

8 MR. BURKE: And if in fact that's what
9 occurs, the impact for those that are on
10 distribution lines would be a negative
11 impact. And in fact, the product they might
12 get, would it have an effect on that in your
13 view?

14 THE WITNESS: I don't think it
15 necessarily would. If there was -- and the
16 reason -- let me just be clear -- is because
17 of the supply. There is such a large supply
18 right now of natural gas in North America
19 that the projections that I've seen, and
20 there is a Woods Mackenzie report that was
21 presented at one of the NECPUC conferences I
22 think many of us attended, indicated that
23 even if we were to see producers begin to
24 export LNG, it would not have a significant
25 impact on the overall price of natural gas

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1 in North America.

2 MR. BURKE: It is interesting what
3 fracking has done because when LNG terminals
4 were first proposed it was to import. And
5 now it seems more to export. That's not to
6 say that the supply of gas, no matter what
7 the source, whether it's hydraulic
8 fracturing, traditional drilling, it's not
9 limitless, is it?

10 THE WITNESS: I don't believe it's
11 limitless, but the supplies -- and I think
12 in one of the other studies -- we saw they
13 are saying there is over 140 years of supply
14 that they see out there today. They
15 continue to develop it.

16 I'm also hearing they keep refining this
17 technology. They find different types of
18 shales that they can extract it from, and
19 they find ways to improve it. We have seen
20 it expand into oil and propane production as
21 well.

22 MR. BURKE: Thanks. Let me switch gears
23 to the other thing I wanted to talk about.

24 THE WITNESS: Okay.

25 MR. BURKE: This is phase one. That was
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1 explored and established in a previous
2 question. But it's also clear that you make
3 much of your return by recapturing and then
4 making a fair return on equity on your
5 infrastructure, isn't that true?

6 THE WITNESS: We are allowed a return on
7 our infrastructure, that's correct.

8 MR. BURKE: Well assuming ratepayers are
9 the ones that pick that up, can you tell me
10 what the differential, if you know, what the
11 differential would be in the larger main to
12 Middlebury versus I think it was a six-inch
13 main that was originally discussed. Do you
14 know what the differential would be?

15 THE WITNESS: I don't. I think it was
16 larger than -- well we have looked at
17 several alternatives early on. But I don't
18 think it was a jump from a six-inch to a 12-
19 inch. I think it was -- probably Ms.
20 Simollardes could address that directly
21 about what the change was and try to
22 quantify for you what the difference was.

23 MR. BURKE: Well let me ask you this
24 then, from your position, and I will ask Ms.
25 Simollardes, because I've never seen you
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1 hand a question off to Ms. Simollardes
2 before, so that is the first.

3 THE WITNESS: You've never seen that?

4 MR. BURKE: No never. The phase one
5 part of the project, and this is clearly a
6 hypothetical question. Let's assume for a
7 minute that this Board approves, and you are
8 allowed through -- after the process runs
9 its entire gamut -- to put phase one into
10 operation.

11 THE WITNESS: Yes.

12 MR. BURKE: But let's also assume that
13 phase two and the Rutland phase never
14 happen.

15 THE WITNESS: Okay.

16 MR. BURKE: Is there going to be an
17 increased cost on an ongoing basis for the
18 differential in the increase of size of the
19 pipeline infrastructure for all the existing
20 ratepayers for Vermont Gas that are on this
21 line? Is there going to be an increased
22 cost just because of the size differential
23 for existing customers?

24 THE WITNESS: I believe for a period of
25 time, it all depends on what happens with
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1 growth in that area, there would be an
2 increased cost to the existing ratepayers.

3 MR. BURKE: And is there an ongoing
4 maintenance increase as well, or is there
5 little or no difference there based on the
6 size of the line?

7 THE WITNESS: I don't think the
8 maintenance aspect would be the significant
9 factor. Whether it's a 10-inch or a 12-inch
10 pipe.

11 MR. BURKE: Thank you.

12 THE WITNESS: You're welcome.

13 CHAIRMAN VOLZ: We have finished asking
14 our questions.

15 Are there any questions that follow up
16 on the questions that we asked? Yes, Ms.
17 Levine.

18 MS. LEVINE: A few. Thank you.

19 CROSS EXAMINATION

20 BY MS. LEVINE:

21 Q. Hello again.

22 A. Hello again.

23 Q. Mr. Young asked you some questions in which
24 you responded that in your opinion there would continue to
25 be low and competitive price for gas going forward, do you

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1 recall those?

2 A. Yes, I do.

3 Q. Can you identify what time frame?

4 A. I'm trying to think. It may have been one of
5 the studies that we provided in response to discovery, was
6 talking about decades out into the future.

7 Q. But you have not provided any testimony in
8 this proceeding regarding that. Vermont Gas did not
9 provide any testimony?

10 A. I think I've said that from my understanding
11 we will continue to see competitive prices well out in the
12 future. I think I did.

13 Q. And but studies to support that were not
14 provided as part of your petition or your testimony?

15 A. I think they were provided in response to
16 discovery requests.

17 Q. Discovery requests are not part of the
18 evidence presented unless a party offers it. Is that your
19 understanding?

20 A. Would you like us to --

21 Q. No.

22 A. Okay.

23 Q. But my question is whether that was provided
24 in support of your petition or testimony, and it was not;
25 correct?

1 A. I was asked what my statements were based on.
2 It was provided in support on what my statements were
3 based on.

4 Q. And Mr. Coen asked you some questions
5 regarding experience, and it seemed to be what you've
6 heard among gas suppliers throughout the country, do you
7 recall those questions?

8 A. I think so. Specifically?

9 Q. And specifically regarding the use of
10 hydraulic fracturing, do you recall that?

11 A. Yes.

12 Q. And again as far as the testimony and exhibits
13 you've presented in this case you have not presented any
14 analysis regarding the impacts of hydraulic fracturing; is
15 that correct?

16 A. I think I've stated that the new technology
17 which includes hydraulic fracturing has resolved in a fast
18 increase in the supply of natural gas and has helped to
19 drive prices down, and it was in general terms I talked
20 about the hydraulic fracturing.

21 Q. So that was in general terms and not based on
22 any specific exhibits or studies that you've presented in
23 this case; correct?

24 A. Well again, I think that the -- the responses
25 to discovery were what I based that on.

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1 Q. My recollection is your response to Mr. Coen
2 was that you're hearing more and more people address that
3 they are becoming more and more comfortable with hydraulic
4 fracturing?

5 A. I'm seeing that.

6 Q. Okay. And are there studies that you have
7 presented as part of this petition in support of your
8 petition that support that?

9 A. It's based on my personal experience in the
10 meetings I've attended and what I've heard from the
11 various consultants I've listened to.

12 Q. So it's your experience based on what you're
13 hearing?

14 A. And the conferences I attend and the people
15 that I've listened to that have presented at those
16 conferences.

17 Q. And did you attend the public hearing in
18 Middlebury last week?

19 A. I did.

20 Q. And did you hear comments from a number of
21 people expressing serious concerns about hydraulic
22 fracturing?

23 A. I heard individuals express that not all of
24 them had the expertise of the people that I've heard from
25 at these other conferences.

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1 Q. But you've heard it expressed from people who
2 are within the State of Vermont; correct?

3 A. I did. And that's an area where there is not
4 experience with hydraulic fracturing other than the water
5 industry.

6 Q. And Mr. Burke asked you some questions
7 regarding approval of phase one and phase two and whether
8 there would be an increase in cost for the difference in
9 the size of the project for phase one and phase two, do
10 you recall those?

11 A. I do.

12 Q. Your responses were limited to economic costs;
13 is that correct?

14 A. Can you -- I'm not sure what you're asking.

15 Q. Dollar cost to customers.

16 A. Whether the size of the pipe would result in
17 additional cost.

18 Q. Yes.

19 A. Yes, I was addressing that.

20 Q. Economic costs only.

21 A. As opposed to?

22 Q. Environmental costs?

23 A. I didn't specifically address that. I can if
24 you would like. I didn't -- I didn't understand that the
25 question was posed to address specifically environmental

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1 costs.

2 Q. I don't think it was.

3 A. Okay.

4 Q. And your response addressed simply the
5 economic costs; correct?

6 A. I did. But that doesn't mean that there isn't
7 also the environmental side to that.

8 MS. LEVINE: Thank you. That's all.

9 THE WITNESS: Thank you.

10 CHAIRMAN VOLZ: Thank you. Any other
11 follow up to the questions we asked? Yes,
12 Mr. Saudek.

13 MR. SAUDEK: I would like to follow up
14 on Mr. Coen's questions.

15 CROSS EXAMINATION

16 BY MR. SAUDEK:

17 Q. Given that hydraulic fracturing has been
18 around for a long time, what was it -- what -- can you
19 pinpoint a little bit better the -- what difference or
20 differences happen that resulted in this rather rapid and
21 very steep reduction in the cost of gas?

22 A. Here's my understanding, again from the
23 conferences and the experts that I've listened to. We saw
24 for years a conventional approach for extracting natural
25 gas that involved drilling into pockets of natural gas

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1 that they knew were below the surface. And they knew they
2 were going by layers of shale where there was gas that was
3 contained. They didn't know how to extract that.

4 And over the years some of the producers
5 experimented with different technologies, and one of the
6 key technologies was directional drilling. When they
7 learned that they could actually drill down to these
8 layers and directionally drill into these layers, and then
9 they combined it with a practice that had been used by the
10 water industry, with hydraulic fracturing, and when they
11 combined those, one of the producers found a way to start
12 to extract natural gas.

13 And they knew there were large amounts of
14 shale that contained natural gas. So I think the key
15 thing that triggered that was this producer demonstrating
16 this could be done commercially viable way. And the other
17 producers jumped on it very quickly. So someone finally
18 cracking that challenge of how to extract gas from these
19 formations that had so much of it in shales, I think was
20 what really drove it.

21 CHAIRMAN VOLZ: And by directional
22 drilling you mean instead of going straight
23 down you would go off to the side on a
24 horizontal way?

25 THE WITNESS: Correct. They can
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1 actually drill now, instead of the
2 conventional approach drilling straight
3 down, they can drill down, steer the drill
4 bit into these layers of shale, and be able
5 to access large quantities of natural gas
6 that are captured in the shales.

7 BY MR. SAUDEK:

8 Q. Has that development, horizontal drilling or
9 whatever -- directional drilling, is that part of the
10 concern that you've heard raised, the environmental
11 concern that you have heard raised about these processes?

12 A. Well early on there were a lot of questions
13 about what the environmental impact was. And again we
14 talked about the EPA studies. They have addressed a lot
15 of that over years that this has been developing.

16 Q. Supposing other states -- I'm trying not to
17 ask something I've asked already. Supposing other states
18 banned hydraulic fracturing, and they are states that have
19 serious deposits of natural gas, as opposed to --

20 CHAIRMAN VOLZ: I think you're straying
21 into an area that is beyond what we were
22 asking. But --

23 MR. SAUDEK: Oh, okay.

24 CHAIRMAN VOLZ: And I think you did
25 touch on this before.

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1 MR. SAUDEK: Very well. I have nothing
2 further.

3 CHAIRMAN VOLZ: Thank you. Any other
4 follow up to our questions? Not to the
5 follow up to our questions but just to our
6 questions?

7 (No response.)

8 CHAIRMAN VOLZ: All right. Great. Is
9 there any redirect?

10 MS. HAYDEN: No redirect.

11 CHAIRMAN VOLZ: Thank you. So I think
12 we are ready for our next witness which is
13 -- I think is Mr. Wark.

1 STEPHEN J. WARK

2 Having been duly sworn, testified
3 as follows:

4 DIRECT EXAMINATION

5 BY MS. HAYDEN:

6 Q. Good morning, Mr. Wark.

7 MR. COEN: Do you want to bring the mic
8 closer? Not you. You.

9 BY MS. HAYDEN:

10 Q. Good morning, Mr. Wark.

11 A. Good morning.

12 Q. Do you have in front of you a document --

13 MR. COEN: Mr. Wark, would you please
14 state your name for the record?

15 THE WITNESS: Sure. My name is Stephen
16 Wark. W-A-R-K.

17 MR. COEN: Thank you.

18 BY MS. HAYDEN:

19 Q. Thank you. Sorry about that. Do you have in
20 front of you a document entitled "Prefiled Testimony of
21 Stephen J. Wark on behalf of Vermont Gas Systems" dated
22 December 20 and consisting of 27 pages together with title
23 page and index?

24 A. I do.

25 Q. And was that document prepared by you or under
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1 your direct supervision?

2 A. Yes.

3 Q. Is it true and accurate to the best of your
4 knowledge and belief?

5 A. It is.

6 Q. Are there any corrections that you need to
7 make at this time?

8 A. No.

9 Q. And do you also have a document entitled
10 "2/28/13 Supplemental Prefiled Testimony of Stephen J.
11 Wark on behalf of Vermont Gas Systems" consisting of seven
12 pages of testimony together with an index and cover page?

13 A. I do.

14 Q. And that document was prepared by you or under
15 your direct supervision?

16 A. Yes.

17 Q. Is it true and accurate to the best of your
18 knowledge and belief?

19 A. It is.

20 Q. Are there any corrections that you need to
21 make at this time?

22 A. No.

23 Q. I would refer you to the exhibits that you
24 prefiled. Starting with exhibit -- your exhibits on
25 direct.

1 MS. HAYDEN: I don't know if the Chair
2 would like me to go through each exhibit or
3 just reference them generally. There were
4 several exhibits that were filed.

5 CHAIRMAN VOLZ: You can do it
6 collectively.

7 MS. HAYDEN: Thank you.

8 BY MS. HAYDEN:

9 Q. If you turn to the index to your prefiled
10 testimony dated December 20, it lists a number of exhibits
11 starting with exhibit Petitioner SJW-1 and ending with
12 exhibit Petitioner SJW-4 or 4.18, do you see that?

13 A. I do.

14 Q. And were those documents collected by you or
15 prepared by you?

16 A. Collected or prepared or received by the
17 company.

18 Q. Thank you. Are there any corrections or --
19 that we need to make to those documents?

20 A. No.

21 Q. And then turning to your February testimony,
22 you also have in your exhibit list a number of exhibits
23 that are titled exhibit Petitioner's Supplemental SJW-1
24 through SJW-11.

25 A. Yes.

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1 Q. Again are these documents many of which are
2 letters that were either collected by you or prepared by
3 you?

4 A. They are.

5 MS. HAYDEN: I move the admission of the
6 Prefiled Direct and Supplemental Testimony
7 of Stephen Wark together with the exhibits
8 just referenced.

9 CHAIRMAN VOLZ: Any objection?

10 (No response.)

11 CHAIRMAN VOLZ: They are admitted.

12 (Exhibits marked Petitioner SJW-1
13 through SJW-4.18 and Supp. SJW-1 through
14 Supp. SJW-11 were admitted into the record.)

15 (The Prefiled Testimony of Stephen J.
16 Wark was admitted into the record.)

1 MS. HAYDEN: The witness is free to be
2 crossed.

3 CHAIRMAN VOLZ: Okay. Ms. Levine.

4 MS. LEVINE: The questions I had I asked
5 of Mr. Gilbert, so I don't have any
6 questions for Mr. Wark.

7 CHAIRMAN VOLZ: Okay. Mr. Diamond.

8 MR. DIAMOND: No questions.

9 CHAIRMAN VOLZ: Those are the only two
10 parties who indicated they had questions for
11 this witness, so I guess we will go to the
12 Board.

13 MR. YOUNG: Just have a couple.

14 CHAIRMAN VOLZ: Okay.

15 MR. YOUNG: Morning, Mr. Wark. How are
16 you are doing?

17 THE WITNESS: Good morning. Good.

18 MR. YOUNG: Let me start off page 15 of
19 your testimony you discuss a feasibility
20 study associated with service in Hinesburg.

21 THE WITNESS: On my December 20 filing?

22 MR. YOUNG: I believe it's in your
23 December 20. Let me see, let me pull out
24 mine.

25 THE WITNESS: Yes, this relates to the
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1 Richmond Road area.

2 MR. YOUNG: I didn't see anything saying
3 has a study been done, what were the
4 results.

5 THE WITNESS: The study I think is just
6 about complete. It was primarily sounding.
7 So the two challenges were in that area, as
8 I recall, the amount of load, how many
9 houses and businesses; and then the second
10 was the ledge. And so we were going out
11 doing significant ledge soundings through
12 the area because many communities were
13 asking for more natural gas.

14 MR. YOUNG: So as of this time you don't
15 have a final proposal on whether you're
16 going to expand in that direction or -- and
17 you're still in discussions with Hinesburg,
18 is that fair?

19 THE WITNESS: I don't know if we are in
20 discussions with Hinesburg. I do know that
21 much more work has been done by our sales
22 and marketing team. I don't know the status
23 of those. Sorry.

24 MR. YOUNG: Let me ask you about your
25 Exhibit SJW-4.1. And this is -- I'll give
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1 you a chance to turn to it first.

2 THE WITNESS: Thank you. Yes.

3 MR. YOUNG: 4.1.

4 THE WITNESS: 4.1. I'm sorry about
5 that. I heard 1.

6 MR. YOUNG: It's a memo from the
7 Williston Fire Department or from the --
8 right -- the Fire Department to the Town
9 Manager.

10 THE WITNESS: I have it. Yes.

11 MR. YOUNG: As I look down there
12 starting three full paragraphs from the
13 bottom it identifies a number of needs;
14 Williston needs; should the line be built,
15 certain costs, and there are recommendations
16 there which are continued awareness and
17 informational training, advanced training,
18 and more sophisticated metering equipment
19 would be needed.

20 Have you had -- have you agreed to
21 provide these to the Town of Williston?

22 THE WITNESS: We have not in a formal
23 discussion with them. However, we do
24 provide training and are willing to provide
25 more training. We have increased our public
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1 awareness which I believe meets that.

2 As for equipment we have kind of grouped
3 that under one of the discussions with --
4 also with the Addison County Regional
5 Planning on equipment. I think one of the
6 challenges we have, again I'm kind of
7 straying outside my area of expertise, is
8 that what type of equipment is needed and
9 how it's maintained.

10 MR. YOUNG: Is there somebody better to
11 ask about fulfilling this than you?

12 THE WITNESS: Virtually anybody.

13 MR. YOUNG: Okay. Can you pick a
14 person?

15 THE WITNESS: Probably either Ms.
16 Simollardes or Mr. Teixeira.

17 MR. YOUNG: Okay. I'll let them defend
18 themselves. You know what I'm trying to
19 understand is have Williston's concerns been
20 addressed by the company. Because there
21 seemed to be a caveat on their willing to
22 commit to this project.

23 THE WITNESS: That's correct.

24 MR. YOUNG: I think that's all the
25 questions I had. Thank you.
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1 THE WITNESS: Thank you.

2 CHAIRMAN VOLZ: Okay. Are there any
3 follow-up questions to Mr. Young's
4 questions?

5 (No response.)

6 CHAIRMAN VOLZ: Are there any redirect?

7 MS. HAYDEN: No redirect.

8 CHAIRMAN VOLZ: Okay. Mr. Wark, you're
9 excused. Thank you. I guess we are ready
10 for Ms. Simollardes, if she is ready for all
11 the questions that were punted to her.

12 MS. HAYDEN: Just handing the witness
13 her testimony and exhibits.

14 MR. COEN: You can sit down, Ms.
15 Simollardes.

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EILEEN SIMOLLARDES

Having been duly sworn, testified
as follows:

MS. HAYDEN: Before we proceed, Ms.
Simollardes was a witness that was
identified to provide surrebuttal, live
surrebuttal. And my thinking was that we
would -- I would introduce her as a witness
and get her testimony and exhibits into the
record, and then walk through that questions
and answers for her live surrebuttal. We
didn't talk about that this morning.

CHAIRMAN VOLZ: Yeah, that makes sense
because that way the parties will have heard
it before they start questioning her, which
is always helpful.

MS. HAYDEN: All right.

DIRECT EXAMINATION

BY MS. HAYDEN:

Q. Ms. Simollardes, let's -- can you state your
name and occupation for the record?

A. I'm Eileen Simollardes, I'm the Vice President
of Supply and Regulatory Affairs for Vermont Gas Systems,
and I'm currently serving in the capacity of Project
Director for this project.

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1 Q. And as I understand it, you are also, in
2 addition to the testimony that you prefiled, you are also
3 providing or adopting the testimony of Mr. Lyons; is that
4 correct?

5 A. That's correct.

6 Q. Starting with your December 20 testimony, do
7 you have that with you?

8 A. I do.

9 Q. And this is a document consisting of 11 pages
10 together with a cover page. Was that prepared by you or
11 under your direct supervision?

12 A. Yes.

13 Q. And is it true and accurate to the best of
14 your knowledge and belief?

15 A. Yes.

16 Q. Are there any corrections?

17 A. No corrections. There is information that is
18 updated. As Mr. Gilbert referenced, the project costs are
19 now 86.6. And there were -- there was information in here
20 around competitive position that was a point in time
21 estimate. It's not a correction. It's just information
22 would be slightly different if you did it today.

23 Q. And with your direct testimony you had two
24 exhibits identified as exhibit Petitioner EMS-1 and EMS-2.
25 Were those two documents prepared by you or under your

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1 direct supervision?

2 A. They were.

3 Q. And are they true and accurate to the best of
4 your information and belief?

5 A. Yes.

6 Q. Any corrections to make to those two
7 documents?

8 A. No.

9 Q. And you also submitted prefiled testimony on
10 June 28, 2013 consisting of 13 pages, do you have that
11 with you?

12 A. I do.

13 Q. Was that prepared by you or under your direct
14 supervision?

15 A. Yes.

16 Q. And is it true and accurate to the best of
17 your knowledge and belief?

18 A. Yes.

19 Q. Are there any corrections that you need to
20 make at this time?

21 A. No.

22 Q. And with your rebuttal testimony you also had
23 two exhibits identified as exhibit Petitioner Rebuttal
24 EMS-1 and Petitioner Rebuttal EMS-2. Were those documents
25 prepared by you or reviewed by you in connection with your

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1 rebuttal testimony?

2 A. They were reviewed by me. Neither of these
3 documents were prepared by me.

4 Q. Okay. And the agreement between Vermont Gas
5 and the Monkton Central School which is exhibit Petitioner
6 EMS Rebuttal EMS-1, were you involved in the negotiations
7 of that agreement?

8 A. Yes, I was.

9 Q. Okay. And it's true and accurate to the best
10 of your knowledge and belief as far as the Memorandum of
11 Understanding or agreement reached between Vermont Gas
12 Systems and the Monkton School?

13 A. Yes.

14 Q. All right. And you have had a chance to
15 review exhibit Petitioner Rebuttal EMS-2, the memorandum
16 from VHB regarding organic certification?

17 A. Yes.

18 Q. And if there are -- I'll stop there.

19 MS. HAYDEN: With this I move the
20 admission of the prefiled testimony and the
21 rebuttal testimony of Eileen Simollardes
22 together with the exhibits that have been
23 referred to.

24 CHAIRMAN VOLZ: Any objection? Did you
25 want -- did you already move the admission
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1 of Mr. Lyons' testimony?

2 MS. HAYDEN: No, I was going to do that
3 right now.

4 CHAIRMAN VOLZ: Okay. Could you state
5 for the record the reason why Ms.
6 Simollardes is adopting Mr. Lyons'
7 testimony?

8 MS. HAYDEN: Yes. He's no longer
9 employed by the company. I believe Mr.
10 Gilbert spoke to that briefly when he
11 referred to his testimony. His testimony
12 identifies the witnesses for Vermont Gas.
13 The prefiled testimony in this proceeding.
14 Mr. Lyons left the company sometime after
15 December and is no longer available.

16 CHAIRMAN VOLZ: Okay. So is there any
17 objection to the admission of Ms.
18 Simollardes's testimony and exhibits and Mr.
19 Lyons' testimony?

20 MS. HAYDEN: I haven't walked through
21 Mr. Lyons' testimony yet.

22 CHAIRMAN VOLZ: Okay. I'll leave that
23 one and rule on Ms. Simollardes. I'll admit
24 her testimony and exhibits.

25 (Exhibits marked Petitioner EMS-1, EMS-2
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1 and Petitioner Rebuttal EMS-1 and Rebuttal
2 EMS-2 were admitted into the record.)

3 (The Prefiled Testimony of Eileen
4 Simollardes was admitted into the record.)

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1 MS. HAYDEN: And if I may, I'm going to
2 hand the witness Mr. Lyons's prefiled
3 testimony and exhibits.

4 BY MS. HAYDEN:

5 Q. Ms. Simollardes, do you have in front of you
6 prefiled testimony of Timothy S. Lyons dated December 20,
7 2012, consisting of 16 pages together with a cover page
8 and table of contents?

9 A. Yes.

10 Q. And I understand this was not prepared by you,
11 but have you since the time of that -- this was filed --
12 have you reviewed this testimony?

13 A. I have.

14 Q. And is it true and accurate to the best of
15 your knowledge and belief?

16 A. Yes.

17 Q. Are there any corrections that you would need
18 to make to this testimony?

19 A. Not a correction, but an update. On page 14
20 line 18, there is a reference to the timed filing of the
21 Section 248 relative to the International Paper project,
22 and it says it would be submitted in July 2013. That did
23 not happen. And the expected filing date now is November
24 2013.

25 Q. And do you also have what's been marked as
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1 exhibit Petitioner TSL 1.1 through exhibit Petitioner TSL
2 10?

3 A. I do.

4 Q. And have you had a chance to review those
5 documents since the time that this prefiled testimony was
6 submitted to the Board?

7 A. I have.

8 Q. And are these documents true and accurate to
9 the best of your knowledge and belief?

10 A. Yes.

11 MS. HAYDEN: I move the admission of the
12 prefiled testimony of Timothy Lyons from
13 December together with the exhibits that
14 were prefiled with Mr. Lyons' testimony.

15 CHAIRMAN VOLZ: Any objection?

16 (No response.)

17 CHAIRMAN VOLZ: All right. They are
18 admitted.

19 (Exhibits marked Petitioner TSL-1.1
20 through TSL-10 were admitted into the
21 record.)

22 (The Prefiled Testimony of Timothy S.
23 Lyons was admitted into the record.)
24

1 MR. KREIS: I didn't have a copy of
2 those exhibits. I have all the rest of
3 them. Thank you.

4 CHAIRMAN VOLZ: Is the witness available
5 for cross examination? You're going to walk
6 her through the live surrebuttal?

7 MS. HAYDEN: Yes.

8 BY MS. HAYDEN:

9 Q. Ms. Simollardes, the Palmers in their rebuttal
10 testimony state that Vermont Gas has not entirely
11 responded to their questions in discovery as to why
12 Vermont Gas has proposed in its February filing to move
13 off the VELCO corridor and to locate the pipeline on the
14 Palmer parcel.

15 Can you please explain the reasons that VGS
16 has considered in making that decision as well as any
17 alternatives that Vermont Gas has evaluated?

18 A. Yes, we had prepared a surrebuttal exhibit
19 that may be helpful in using -- may be helpful to refer to
20 in this conversation.

21 MS. HAYDEN: Then I have provided a copy
22 of this surrebuttal exhibit which we have
23 marked as surrebuttal. And I've provided a
24 copy to all of the parties per the
25 instruction of Mr. Young at our prehearing
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1 and have extra copies for the Board.

2 CHAIRMAN VOLZ: And you've marked this
3 as surrebuttal? That's it? Just --

4 MS. HAYDEN: I'm sorry. Surrebuttal
5 EMS-1.

6 CHAIRMAN VOLZ: Okay. Thank you.

7 THE WITNESS: And I'm not sure whether
8 or not the copy that I think bears -- one
9 correction to that. And it's the white
10 block on the left-hand side of the page
11 halfway down where it says existing dwelling
12 approximately 125 feet from existing VELCO
13 right of way. That's not -- that's an
14 inaccurate label. It should be existing
15 dwelling approximately 125 feet from
16 proposed pipeline. That is the accurate
17 label for that exhibit.

18 MS. HAYDEN: Does the Board need more
19 copies of this document?

20 Can you please describe -- and we also
21 have it blown up, I don't know if it's
22 helpful, we don't have a tripod here. But
23 an oversized version.

24 CHAIRMAN VOLZ: Sorry.

25 MS. HAYDEN: I'm sorry. And Mr. Nelson
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1 has just brought in a corrected version
2 which corrects that one typo, but I think it
3 may be more confusing at this point to
4 circulate that.

5 We also have an oversized version of
6 that exhibit if it would be helpful for the
7 Board. I'm not sure that all parties are
8 going to be able to see it. And so I'm not
9 --

10 CHAIRMAN VOLZ: Well you can use it with
11 the witness.

12 MS. HAYDEN: I think she has it, so I'm
13 not going to use that.

14 CHAIRMAN VOLZ: If you just use the one
15 we all have in front of us we should be able
16 to follow along.

17 BY MS. HAYDEN:

18 Q. Ms. Simollardes, could you please explain the
19 alternative corridors that are reflected on this map?

20 A. Yes. We should start with we have had several
21 conversations with Mr. and Mrs. Palmer regarding the
22 proposed pipeline along their property, and we understand
23 that they do not want the pipe on their property and would
24 prefer that we relocate it to the VELCO corridor.

25 And we are in or on the Palmers' property, and
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1 that little deviation from the VELCO corridor down the
2 Norris property, over across the Palmers and Latreilles,
3 and back to VELCO is what we in shorthand call the Rotax
4 Road reroute. If I use that expression that's what I'm
5 referring to.

6 We are in the Rotax Road reroute for really a
7 totality of issues. If you look at this map you can see
8 it is a particular pinch point for VELCO. When we first
9 proposed this project in the 12/20 alignment, in other
10 words, the pipeline alignment that was underlying our
11 initial filing back in December, we were on the western
12 side of the VELCO right of way. As I'm looking at this I
13 realize you can't really read the structure numbers, which
14 is unfortunate. Maybe you can see them on this map. We
15 were on the VELCO right of way on the western side from
16 roughly structure 181 through 189. And we were going to
17 horizontally directionally drill that. You really can't
18 read it on those exhibits. You can see here better.

19 We were in the VELCO right of way, on the
20 western side, from about here to here. And this whole
21 piece was being horizontally directionally drilled, and
22 then we went back to the eastern side of the VELCO
23 corridor until just about structure 190. And then we
24 crossed back over to the western side of the VELCO
25 corridor.

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1 This particular area in the vicinity of
2 structure 190 was a pinch point for VELCO. They had told
3 us very specifically after we had filed this that they did
4 not want us located on the eastern side of their right of
5 way, and it was their strong preference that we not be
6 located on the western side of their right of way. When
7 we combined that with the feedback we got from the Monkton
8 community about the desire to locate our pipe to the
9 extent possible more than 300 feet from structures and
10 wells, and we went back and we looked at everything, we
11 realized that the reroute down the side of the Norris
12 property and across the Palmers achieved several
13 objectives. It got us out of that western side of the
14 VELCO corridor which they had indicated was a pinch point
15 for them. It avoided constructability issues. As you can
16 see there is a meandering stream on the top, and then this
17 is a really deep ravine over to the right, and it's an
18 archeologically sensitive area. And there were more
19 structures along the way in the VELCO corridor than there
20 was to the Palmer property.

21 The closest distance between the pipe and the
22 Palmer residence in the reroute is about 120 feet. If we
23 are back in the VELCO corridor, we are within 85 feet from
24 one residence, about 110 feet from another, and close to a
25 third residence well. So for the totality of those

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1 issues, we moved ourselves into the Rotax Road reroute.

2 We have since explored what it would look like
3 going back into the VELCO corridor. And I have to say we
4 have also since entered into an agreement with the Town of
5 Monkton on the alignment that you have before you for the
6 12/28. And Vermont Gas continues to firmly believe that
7 is the appropriate alignment. If we were ordered to go
8 back into the VELCO corridor we would have to horizontally
9 directionally drill most of that section, from just north
10 of that meandering stream to just north of the deep
11 ravine. Then we would have to horizontally directionally
12 drill again from north of that direction -- that deep
13 ravine to just -- I guess that's just this side, my --
14 left of the VELCO guy wire, and then we could trench from
15 there.

16 CHAIRMAN VOLZ: Can you use the big map
17 and point to where those things are?

18 THE WITNESS: Yeah, I'm sorry.

19 CHAIRMAN VOLZ: I'm not following you.
20 So where is the Palmers' property?

21 THE WITNESS: This is the Palmers'
22 property here. This is the Palmers'
23 property here.

24 CHAIRMAN VOLZ: Yeah.

25 THE WITNESS: If we were to go back into
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1 the VELCO --

2 CHAIRMAN VOLZ: Where is the pipeline
3 proposed to run --

4 THE WITNESS: Right here. The Norris
5 property turns. The Palmer property line is
6 roughly right here, so it's this section of
7 the Palmer property after you cross Rotax
8 Road, you're off the Palmer property.

9 CHAIRMAN VOLZ: All right.

10 THE WITNESS: For a totality of reasons
11 this is the route that Vermont Gas believes
12 is the appropriate one. We did look at if
13 we were required to go back into the VELCO
14 corridor what would that look like. And
15 VELCO has said very firmly you may not be on
16 the eastern side of the corridor there. It
17 is their preference that we are not on the
18 western side of the corridor either.

19 CHAIRMAN VOLZ: So where would they want
20 you to be? In the middle somewhere?

21 THE WITNESS: Not in the corridor at
22 all.

23 MR. COEN: It's a preference, but not --

24 THE WITNESS: They have not prohibited
25 us. They have not prohibited us from being
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on the western side of that corridor.

MR. COEN: We have heard their preferences before as well, okay.

THE WITNESS: Okay. So if we were in the VELCO corridor we would have to drill, and I apologize that I can't show everybody the map at the same time, but we would have to drill from approximately structure 181 to somewhere between structure 184 to avoid this meandering stream, because you don't want to install the pipe longitudinally with a stream that could be subject to erosion, so we would have to drill that. And it would allow us to avoid this archeological area. Then we would have to do a second drill because before we were on the eastern side so we could trench, but now that we know we would need to be on the western side we would have to do a second drill from somewhere between this structure here to down somewhere right around here.

CHAIRMAN VOLZ: You don't know the structure numbers?

THE WITNESS: I do. Give me one second.

We would have to have a second drill from
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1 somewhere between structure 185 and 186 to
2 about 189 and 190, which is right in here.

3 CHAIRMAN VOLZ: Okay.

4 MR. COEN: So it's doable.

5 THE WITNESS: It is doable.

6 CHAIRMAN VOLZ: It's going to increase
7 the cost.

8 THE WITNESS: It's going to increase the
9 cost. It would cost roughly 1.2 to 1.3
10 million to do those drills.

11 CHAIRMAN VOLZ: Additional over what
12 you're proposing?

13 THE WITNESS: Over what we are
14 proposing. So there would in fact be
15 slightly less pipe, because this piece that
16 comes here we wouldn't need to do. And I
17 took a look at what would we be able to
18 avoid for this piece here, and we could
19 avoid maybe about \$90,000 worth of pipe.
20 But if we were to go into --

21 MR. COEN: And also easement costs;
22 right?

23 THE WITNESS: No. Because we still need
24 to acquire an easement from the underlying
25 landowners. Yes, there would be some --
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1 because we would have to get -- we would
2 have to change our Norris easement from this
3 alignment to that alignment. There would be
4 slightly less footage, so yes, there would
5 be slightly less easement cost. But the
6 pipe would then be within 85 feet of this
7 dwelling, within 110 feet of this dwelling,
8 and very close to this well, as opposed to
9 the current alignment that is approximately
10 120 feet from the Palmer property.

11 MR. COEN: Did the -- the dwelling
12 you're pointing at that's 80 feet from the
13 right of way, from the VELCO right of way?

14 THE WITNESS: Yes.

15 MR. COEN: Did they build, was the right
16 of way there, was the VELCO line there
17 before they built their house?

18 THE WITNESS: I don't know that.

19 MS. PALMER: Yes. Yes.

20 MR. COEN: So they came to the nuisance?

21 THE WITNESS: I don't know that.

22 MR. COEN: I will ask Mr. Palmer that
23 when he's on the stand.

24 MR. YOUNG: So I just have -- so I
25 understand what we are looking at on the
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1 map. The area that is depicted here in, I
2 guess it's sort of pink, is that looks like
3 it's about 300 feet wide, is that the VELCO
4 right of way?

5 THE WITNESS: It is.

6 MR. YOUNG: And the sort of white line
7 that's on the western part of that, that's
8 where the existing transmission line runs.
9 There is a white line, that dashed black
10 lines?

11 THE WITNESS: This thing? Yes.

12 CHAIRMAN VOLZ: Electric transmission
13 line.

14 THE WITNESS: Electric transmission
15 line.

16 MR. YOUNG: That's the existing electric
17 transmission line.

18 THE WITNESS: Yes.

19 MR. YOUNG: That's where it's located.

20 THE WITNESS: Yes.

21 MR. YOUNG: VELCO actually has all this
22 additional space that they acquired for
23 that.

24 THE WITNESS: You'll need to ask VELCO
25 that but --
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1 MS. TIERNEY: Can you tell me what you
2 mean by the term pinch point?

3 THE WITNESS: There are guy wires at
4 structure -- I think that's structure 190.
5 There is guy wires there, so there is not a
6 lot of room on --

7 CHAIRMAN VOLZ: Guy wires holding up an
8 electric transmission system?

9 THE WITNESS: Yes. There is not a lot
10 of room between structure 190 and the edge
11 of that VELCO right of way on the western
12 side for us to install our pipe.

13 CHAIRMAN VOLZ: But that's where VELCO
14 wants you to go. They don't want you to go
15 any place --

16 THE WITNESS: VELCO's preference is that
17 we not be in the right of way. They have
18 said we could be in the western side of that
19 right of way.

20 My understanding, and again it would be
21 a question you would need ask VELCO, is that
22 those guy wires may need to be moved,
23 presumably that would be at Vermont Gas's
24 expense. I did not include those in my
25 numbers because again Vermont Gas believes
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1 that the route we have in totality is the
2 right place.

3 It's very unfortunate that not everybody
4 can be happy with it, but we do believe that
5 is in totality the right place. We have
6 also looked at two other potential
7 alternatives in response to the Palmers'
8 concern. One would be the Palmers did give
9 us a right of entry for the westernmost part
10 -- parcel of their land to take a look at
11 could we locate the pipe on the very western
12 edge of their property.

13 The bulk of that land is in a federal
14 conservation easement. There is a portion
15 of it that is not. But you cannot get all
16 the way to the Rotax Road reroute without
17 going through that federal conservation
18 easement. We believe we would have to
19 horizontally directionally drill that as
20 well, and that would be -- there is more
21 pipe, and there is more HDD. In aggregate
22 that would be about \$700,000 more expensive.
23 But the other piece to keep in mind is the
24 outcome of the amending a federally
25 conserved easement is uncertain. We did
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1 take a look at that.

2 The installation of a pipeline is not a
3 permitted activity in those easements, it's
4 not prohibited but it is not permitted. So
5 Vermont Gas and the Palmers together would
6 need to ask for that easement to be amended.
7 It then needs to go through a public comment
8 period, a full NEPA. The outcome of that is
9 uncertain.

10 And one the criteria we would need to be
11 able to address is whether or not there was
12 a viable alternative, and we have just
13 discussed two alternatives. One of which is
14 the VELCO, and the other of which is
15 locating the pipe on the Palmers' property,
16 not within the conservation easement.

17 MR. KREIS: So by federal conservation
18 easement you mean an instrumentality of the
19 United States Government owns that easement?

20 THE WITNESS: It's enrolled in a program
21 called the -- I always get this acronym
22 wrong -- NCRS. It's a wetland protection
23 program but a federal wetland protection
24 program as opposed to the land conservation
25 easements that we have with, for example,
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1 Vermont Land Trust or VHB and the Ag
2 Department.

3 MR. YOUNG: Where is the eastern edge of
4 that area, that conserved area?

5 THE WITNESS: It's very hard to see.
6 But it is sort of -- there is a pale green
7 line. It's sort of -- or there is -- maybe
8 this little blue stream thing. It's a
9 little bit about right in there. I actually
10 do have -- I don't have it marked for an
11 exhibit, but we do have an enlargement. I
12 could get you an enlargement after lunch of
13 that federally conserved area, and you can
14 see the delineation of the conservation
15 easement.

16 MR. YOUNG: I guess what I'm curious
17 about, is it this green area, or is it the
18 light blue area that we are talking? And
19 perhaps --

20 THE WITNESS: If you look up -- well
21 they are overlaid on each other. If you
22 look up at the legend, wetlands reserve
23 program easement is where the little -- they
24 look like little shrub things that are in
25 there. There may be a map that's better
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1 than this one, but this is what I have.

2 CHAIRMAN VOLZ: It appears they cover
3 both of those areas, Mr. Young.

4 MR. YOUNG: No.

5 CHAIRMAN VOLZ: The dark green little
6 bush-like dipples on there.

7 MR. YOUNG: Does that extend the whole
8 way up into the corner right by the Palmers'
9 driveway, or there is an area --

10 THE WITNESS: There is a little area
11 between the edge of the conservation
12 easement and the edge of the property
13 boundary in this general direction. And for
14 those of you that can't see, up this way.
15 That is not in the conservation easement.
16 But the conservation easement south of that
17 goes right to the edge of the property line
18 to Rotax Road.

19 There is not a strip completely on the
20 western side of their property that you
21 could install the pipe without being in that
22 conservation easement.

23 MR. YOUNG: I guess what I'm trying to
24 look at -- you have the area -- you see the
25 area with those little bubbles, or I'm not

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1 sure exactly what they are, and then as you
2 look up there you have this area where it
3 says 2013 CM3 class two, which I presume is
4 class two wetlands.

5 THE WITNESS: Class two wetlands.

6 MR. YOUNG: Is that area part of the
7 conservation easement to your knowledge?

8 THE WITNESS: No.

9 MR. YOUNG: It is not. Okay.

10 THE WITNESS: Wait a second. It depends
11 on where you are. Up here no. Because that
12 is not the Palmer property. But when you
13 get to the Palmer property, it is.

14 MR. YOUNG: Because it looks like the
15 line is proposed -- actually proposed to go
16 through part of that.

17 THE WITNESS: No. This area up here is
18 not the Palmer property. And the line is
19 not in the conservation easement. The
20 Palmer property starts roughly right here.
21 And there is -- you can see we try to -- we
22 tried to locate the pipe as close to the
23 edge of the conservation easement as
24 possible without going into the conservation
25 easement in order to increase the distance
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1 between the pipe and the Palmers' residence,
2 which brings me to the fourth thing we
3 looked at which is the Palmers have raised
4 concerns about the impact of the pipe on the
5 hydrology of their land and the proximity to
6 their home, both of which we think are
7 issues that we can adequately address as the
8 pipeline is constructed. But it would also
9 be possible to utilize horizontal
10 directional drilling through that area of
11 the Palmers' property and thus not
12 disturbing the soil at all and not changing
13 the composition or how much the soil would
14 be compacted.

15 We could drill through there. And if we
16 were to drill that section, rather than open
17 trench it, we could scoot the pipe 40 feet
18 further away from the Palmers' property,
19 make it close to 160 feet rather than the
20 current 120 feet. There, of course, would
21 be a cost of that, somewhere in the order of
22 250 to \$300,000. And I need to specify in
23 all these cases where I'm mentioning drill
24 costs I'm using rules of thumb because these
25 drills have not been designed.

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1 So these are estimated costs, but they
2 are estimated based on the experience of our
3 engineers.

4 CHAIRMAN VOLZ: Mr. Palmer, did you have
5 a question earlier?

6 MR. PALMER: I was willing to offer to
7 come up and show where some of those lines
8 are if you want clarification.

9 CHAIRMAN VOLZ: When you're on the stand
10 you can do that. Unless somebody thinks it
11 would be helpful now.

12 MS. TIERNEY: Back to the VELCO right of
13 way, could you just state for the record so
14 that it's clear in one place what your
15 understanding is of why VELCO does not want
16 Vermont Gas on the eastern side of the VELCO
17 easement?

18 THE WITNESS: My understanding of why
19 VELCO does not want us on the eastern side
20 of that easement is that space is reserved
21 for future expansion.

22 MS. TIERNEY: Reserved; is that correct?

23 THE WITNESS: Yes.

24 MR. COEN: Would it be accurate to say
25 that the eastern side of the right of way is
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1 about four times larger than the western
2 side?

3 THE WITNESS: I didn't do the math, but
4 it looks like there is definitely more space
5 on the eastern side than the western side.

6 MR. COEN: Significantly more space?

7 THE WITNESS: Yes.

8 CHAIRMAN VOLZ: In other words, the
9 electric transmission line parallels the
10 western side much more closely and is much
11 further away from the eastern side.

12 THE WITNESS: I agree with that. I do
13 note however that when we get to this angled
14 portion here, that if we were back on the
15 eastern side of the VELCO corridor which is
16 where our 12/20 alignment is, there are in
17 fact two homes there that would be in close
18 proximity to the pipeline.

19 MR. COEN: Do you -- are there portions
20 of the pipeline as currently proposed that
21 are on the eastern side of the VELCO
22 corridor, or is it all on the western?

23 THE WITNESS: As we sit here right now,
24 I believe all of the pipeline is on the
25 western side of the VELCO corridor. Subject
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1 to check, I'm going through the 41 miles in
2 my head. I cannot think of a spot right now
3 where we are on the eastern side of the
4 VELCO corridor.

5 MR. COEN: Thank you.

6 MR. YOUNG: Two quick -- two areas.

7 First, you were just referring to the
8 possibility of moving the line about -- so
9 it would be 40 feet farther from the
10 Palmers' house. Are you essentially talking
11 about as it goes through the western side of
12 the Palmers' property here, or at least the
13 clear part, and then it angles to the
14 southwest, are you talking about sort of,
15 you know, cutting across the angle there?

16 THE WITNESS: No. I'm talking about
17 keeping the exact same assignment and just
18 drilling it. Because it's being drilled
19 instead of trenching, and this would be an
20 -- I'm now getting well into the area that I
21 really have no business speaking to the
22 construction technique -- so Mr. Heintz or
23 Mr. Teixeira could, but it's my
24 understanding that if we were to drill that,
25 that because we need temporary work space,
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1 that we would be able to avoid, we could
2 scoot the pipe closer, really right up, abut
3 the edge of that conservation -- the land
4 that's in the federal conservation easement.

5 MR. YOUNG: So it would shift a little
6 but it wouldn't shift --

7 THE WITNESS: About 40 feet.

8 MR. YOUNG: The next question I had was
9 on the VELCO right of way, and I'm looking
10 at the area approximately from post 189 to
11 190. If you were on the east side at that
12 particular area, it looks to me from the map
13 like you would end up having to clear a
14 bunch of trees; is that correct?

15 THE WITNESS: It does appear that way.
16 Yes.

17 MR. YOUNG: You haven't looked at that
18 exactly in terms of the configuration.

19 THE WITNESS: I didn't.

20 MR. YOUNG: Okay.

21 THE WITNESS: Because in our original
22 alignment the 12/20 alignment we were back
23 on the western side of the VELCO corridor
24 over here. We were only on the eastern side
25 if this is a -- you know, this little
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1 whatever you want to call this, this middle
2 leg, that's the only place we were on the
3 eastern side.

4 MR. YOUNG: Okay. So but on that
5 particular stretch which parallels
6 essentially post 186, 189, or 188, 9, and
7 your guy wire which I presume is 190, it
8 looks like you would end up having to clear
9 all those trees out as part of your
10 construction.

11 THE WITNESS: I need to point out that
12 in that particular area where you're talking
13 about the trees, Vermont Gas is actually not
14 proposing to go into the VELCO corridor
15 there at all. We have acquired an option on
16 the Bailey property, the land there. And we
17 would propose regardless of where we ended
18 up with VELCO to stay on the Bailey property
19 there.

20 MR. YOUNG: Okay.

21 MR. COEN: Where is that on the map?

22 THE WITNESS: It's not labeled. Where
23 this big block is it says approximate
24 McGinnis well location. The Bailey property
25 starts somewhere right in here, so even if
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1 we came down hypothetically, the VELCO
2 corridor, we would want to rejoin the pipe
3 where it is now on the Bailey property.

4 Because we do have an option on that
5 land, the landowner is amenable. It is a
6 site that we are looking at potentially for
7 the gate station in Monkton. There does not
8 appear to be controversy on locating the
9 pipe on the Bailey property.

10 So I don't know that it would be
11 necessary to move it back into the VELCO
12 corridor. In fact, if you look at the 12/20
13 alignment on the VELCO corridor there, there
14 is a lot of these funky little land parcels
15 that are like slices of pie that we are able
16 to avoid by being on the VELCO property in
17 that area.

18 MR. COEN: Bailey.

19 THE WITNESS: I mean Bailey property,
20 yes.

21 MR. YOUNG: You're farther down than
22 where I was asking about. I was asking
23 about essentially looking at this, if you
24 see the existing dwelling that says
25 approximately 15 feet from right of way.

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1 THE WITNESS: Yes.

2 MR. YOUNG: Between there and the line
3 there are a whole series of trees.

4 THE WITNESS: Yes.

5 MR. YOUNG: And that's the area that I
6 believe you just said that you had
7 originally been proposing to be on the east
8 side of the VELCO line; correct?

9 THE WITNESS: Initially we were on the
10 east side up through there. Through 187 to
11 190.

12 MR. YOUNG: Right. That was the area I
13 was asking you. So that would seem to
14 require that you end up cutting those trees
15 down, and that's before you hop off to the
16 Bailey property; am I correct? Or have you
17 looked -- not looked at that?

18 THE WITNESS: It appears that way on the
19 map. I would suggest that perhaps Mr.
20 Heintz who is -- I have actually not gone
21 out and been in the VELCO corridor on that
22 particular location. It would be preferable
23 to speak to somebody who has, but I would
24 agree with you at least looking at this map
25 that would -- appears that that would have
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1 to happen.

2 MR. YOUNG: And one final question which
3 is are you referring to -- if you were on
4 the Palmer property, and did the directional
5 drill, you could do it about 40 feet farther
6 west based upon the engineering, is there
7 any reason you couldn't do the trenching
8 about 40 feet farther west as well?

9 THE WITNESS: That I don't know. I
10 would suggest you ask Mr. Heintz. It would
11 depend -- my understanding is we need a
12 place to store the soil. So -- that you
13 take out of the trench, so if we could have
14 a temporary work space deeper into the
15 Palmer property it may be able to trench
16 that way. That I don't know.

17 MR. YOUNG: And would that avoid some of
18 the impacts that he's expressed concern
19 about, or perhaps avoid cutting down some of
20 the trees in the area? To your knowledge.

21 THE WITNESS: I don't believe it would
22 avoid the Palmers' concern with the
23 potential change in hydrology. And as to
24 whether or not it would change the need for
25 the trees that were in question, the willow
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1 trees, I think that's a better question for
2 Mr. Heintz. But my recollection of that
3 location is those trees would still be an
4 issue.

5 MR. YOUNG: Thanks.

6 CHAIRMAN VOLZ: Did you, Ms. Hayden,
7 have you finished introducing the live
8 surrebuttal?

9 MS. HAYDEN: I am.

10 CHAIRMAN VOLZ: Okay. So we are after
11 noon, so I was thinking we would take our
12 noon break, and when we came back we would
13 start cross examining Ms. Simollardes. Is
14 that what we are up to?

15 MS. HAYDEN: Yeah. And I'm just -- Ms.
16 Simollardes is looking at me. There is
17 clearly something that I haven't covered,
18 but we can do that after lunch for
19 surrebuttal.

20 CHAIRMAN VOLZ: Okay. We can do that.

21 MS. HAYDEN: We can also follow up on
22 these two questions that you've asked.

23 CHAIRMAN VOLZ: Okay. So when we get
24 back from lunch we will hear the rest of the
25 live surrebuttal, and then we will go to
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1 cross examination.

2 I have that the municipalities, Mr.
3 Palmer, CLF, Vermont Fuel Dealers
4 Association, DPS each have cross for this
5 witness. Now that you've heard the
6 surrebuttal, the live surrebuttal, obviously
7 you can revise -- you can be given
8 additional time to deal with questions
9 related to that.

10 And parties who didn't sign up for cross
11 examination, if they now in light of what
12 they have heard from the live surrebuttal
13 would also like to ask questions, you will
14 be able to do that as well. So during lunch
15 you should be preparing for that.

16 And why don't we take an hour and 15
17 minute break, and so we will be back at
18 1:30.

19 (Recess was taken.)

20 CHAIRMAN VOLZ: Good afternoon. We are
21 back from lunch, and I think we left off
22 with witness Simollardes. And I forget
23 exactly -- you had a little bit more to do;
24 is that right, Ms. Hayden?

25 MS. HAYDEN: We actually resolved it.
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1 We don't have any further surrebuttal. The
2 Board did ask Ms. Simollardes a question
3 about whether she knew if the project as
4 originally proposed was entirely on the east
5 side -- west side --

6 UNIDENTIFIED SPEAKER: We can't hear.

7 MS. HAYDEN: The Board had a question
8 about the pipeline, the location of the
9 pipeline, I'm sorry, currently proposed,
10 whether it is entirely within the west side
11 of the VELCO corridor. And Ms. Simollardes
12 can respond to that.

13 THE WITNESS: So during the lunch break
14 we went back and double checked, and there
15 are in fact two locations where the current
16 alignment, the -- is on the eastern side of
17 the VELCO corridor. One is at line less
18 roughly 6869 for 200 feet. The other is at
19 line less 7201 for about 50 feet. And we
20 are right up against the eastern edge of the
21 VELCO corridor and maybe a little bit in it
22 on those two locations.

23 MR. COEN: So I guess that raises a
24 question for me. As to if this is a problem
25 with VELCO, in terms of their wanting to
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1 reserve the east side for expansion, why did
2 they let you in those two places?

3 THE WITNESS: Well I should specify
4 those are in Williston. I think you would
5 need to ask VELCO if there was something
6 about the Williston location that that's
7 acceptable. It does not look like we are 10
8 feet in. Every place that we collocate with
9 VELCO we are essentially 10 feet in from the
10 edge of their right of way, and then we are
11 sharing a 40-foot swath, and then we are
12 getting 10 feet of our own outside VELCO.

13 Within that area it does not look like
14 we are 10 feet within the VELCO corridor.
15 It looks like our footprint overlaps with
16 it. It doesn't look exactly like the pipe
17 is in the eastern side there.

18 MR. COEN: That will be one of many
19 questions I have for VELCO. Thank you.

20 THE WITNESS: Thank you.

21 MS. HAYDEN: And so the witness is
22 available for cross examination.

23 CHAIRMAN VOLZ: Okay. Ms. Levine?

24 MS. LEVINE: Thank you.

25 CROSS EXAMINATION
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1 BY MS. LEVINE:

2 Q. Good afternoon, Ms. Simollardes.

3 A. Good afternoon.

4 Q. I have a few questions I want to follow up on
5 on your surrebuttal first since you were just talking
6 about that.

7 A. Okay.

8 Q. Looking at your surrebuttal Exhibit 1.

9 A. Which I left -- yes, I have it.

10 Q. Okay. You identified that to you -- my
11 recollection, is in order to use the VELCO corridor you
12 would likely have to do HDD to bore underneath portions of
13 that right of way to protect natural resource areas; is
14 that correct?

15 A. Not just -- in some cases it would be for
16 natural resource areas. In others it would be to protect
17 the integrity of the pipe. For example, that longitudinal
18 stream would be both to not alter the stream but also to
19 the protect the pipe from erosion over time.

20 Q. And the distances that would -- that you would
21 anticipate using HDD, which I don't know what HDD stands
22 for?

23 A. Horizontal directional drilling.

24 Q. Thank you very much. Horizontal directional
25 drilling, those are roughly commensurate with the lengths

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1 or the distances of HDD that you're doing in other parts
2 of the Addison Natural Gas Project; correct?

3 A. If you're asking is that an exceptionally long
4 drill, no. There are drills that are of that length and
5 there is drills that are shorter.

6 Q. Okay. And it's similar to the length and the
7 magnitude of drilling that you've agreed to in your
8 Memorandum of Understanding with the Agency of Natural
9 Resources.

10 A. I believe it is.

11 Q. In terms of using the VELCO corridor versus
12 using other property, I think your testimony was that
13 VELCO requested you not use the east portion of their
14 right of way?

15 A. VELCO had requested that we not locate the
16 pipe on the eastern side of the VELCO corridor. They had
17 also indicated that the western side was not a preference
18 either. But it was not an absolute no.

19 Q. Okay. And for instance, the Palmers have also
20 requested you not put the pipeline through their property;
21 correct?

22 A. That's correct.

23 Q. So they are in the same situation that VELCO
24 is in?

25 A. I think they are in a slightly different

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1 situation than VELCO is in. If your point is both parties
2 have requested, I agree with that. Both parties have
3 requested that the pipeline be in a different location.

4 Q. Okay. Now I'll go back to my original
5 questions. Do you have your prefiled testimony in front
6 of you?

7 A. I do.

8 Q. Now you did not provide a resume or a
9 curriculum vitae with your testimony. I just wanted to
10 ask you a few questions about your background. You're not
11 a climate scientist; is that correct?

12 A. I am not.

13 Q. You don't have any specific expertise on
14 climate change; is that correct?

15 A. I do not.

16 Q. And your testimony regarding greenhouse gas
17 emissions relies on studies or work that others have done;
18 correct?

19 A. That's correct.

20 Q. And then I have a few questions regarding your
21 testimony concerning the Integrated Resource Plan. You
22 address that on pages 10 to 11 of your direct testimony.

23 A. Yes.

24 Q. Now as I read your testimony on page 10, the
25 bullets that you list there on page 10, do you see those?

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1 A. Yes.

2 Q. Are those the factors that in your opinion
3 show that the project is consistent with least cost
4 planning?

5 A. I think those factors do indicate a
6 consistency with least cost planning.

7 Q. And Vermont Gas Systems has not done any
8 additional least cost planning analysis; is that correct?

9 A. Specific to this project or in general?

10 Q. Specific to this project.

11 A. I'm not sure I agree with that
12 characterization, because we have entered into several
13 settlements with different parties, and as part of
14 consideration for those settlements, we are looking at
15 various costs and benefits associated with entering into
16 those settlements or not entering into those settlements.
17 But we have not done further pipeline analysis beyond
18 what's here.

19 Q. Okay. And the Vermont Gas Systems' least cost
20 analysis evaluated gas compared only to oil or propane; is
21 that correct?

22 A. For this project, yes.

23 Q. And this issue was raised by one of the
24 commenters at the public hearing last week. So you did
25 not evaluate, for instance, biomass or heat pumps;

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1 correct?

2 A. We did not assume that the loads that this
3 project will serve would otherwise have been served by
4 biomass or heat pumps. We based it on the current market
5 and the composition of the current market, roughly 70
6 percent fuel oil, 30 percent propane. We also did not
7 adjust our loads for the impact of energy efficiency going
8 forward.

9 Q. And did you provide any analysis of the amount
10 of either biomass, ground source heat pump, renewables or
11 energy efficiency going forward 20, 30, 40, 50 years?

12 A. In our Integrated Resource Plan we did provide
13 additional information on the level of energy efficiency
14 investments that will occur over the next 20 years. We
15 did not do an analysis of biomass or heat pump. Nor did
16 we do the reverse of that. Recognizing that today fuel
17 oil has a price advantage over propane. We didn't take
18 into any -- take into account the fact that current
19 propane users but for this project may someday switch to
20 fuel oil instead. We used the current market and the
21 current footprint.

22 Q. So the commenter at the public hearing
23 identified an analysis in another New England state that
24 found that new generation of electrically powered heat
25 pump and biomass systems rivaled customer cost efficiency

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1 for natural gas, but you did not look at that; correct?

2 A. We did not look at that. Nor can I comment on
3 the veracity of that statement because we didn't look at
4 it.

5 MS. LEVINE: That's all I have. Thank
6 you.

7 THE WITNESS: Thank you.

8 CHAIRMAN VOLZ: Thank you. Mr. Saudek,
9 do you have questions for this witness?

10 MR. SAUDEK: One or two. In your --

11 MR. COEN: Do you want to go up to the
12 mic, please?

13 CROSS EXAMINATION

14 BY MR. SAUDEK:

15 Q. In your analysis of --

16 A. I'm sorry. I can't hear you.

17 Q. In your analysis of the lower greenhouse gas
18 effects, switching over to natural gas, to what extent did
19 you take into account the laws relating to transition to
20 low sulfur oil, biodiesel, propane, that sort of thing?
21 Did you take into account those laws in Vermont?

22 A. No. I did a very simple burner tip analysis
23 of natural gas versus home heating fuel and propane. I
24 did not do an adjustment for different types of fuel oil
25 that may have more bio content. However, Mr.--

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1 Q. I'm not going to ask you that.

2 A. Okay.

3 Q. Another witness.

4 A. I did not.

5 Q. And that would -- would you concede that that
6 would change your result?

7 A. Yes, that would change my result. Depending
8 on the assumption that you made about the acceptance of
9 alternate fuel types.

10 CHAIRMAN VOLZ: Mr. Saudek, I don't
11 think your mic is on. Oh, I guess it is.
12 You need to speak into it more.

13 MR. SAUDEK: I'll try to speak up, Mr.
14 Chairman.

15 CHAIRMAN VOLZ: Yes. Thank you.

16 BY MR. SAUDEK:

17 Q. In response to one of the information requests
18 that we made of you, you said that Vermont Gas has seen
19 information indicating methane released into the
20 atmosphere has by volume approximately 21 times the global
21 warming potential than does carbon dioxide by volume. Do
22 you remember that?

23 A. Yes.

24 Q. Did you take that into account in your
25 calculations?

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1 A. As I stated, I did a very simple burner tip
2 analysis of the greenhouse gas reductions, and that is
3 consistent with the analysis that the Board has accepted
4 in other 248 proceedings including Vermont Gas's most
5 recent looping Docket or the LNG proceeding for OMYA. It
6 has been used for energy efficiency. All I did was
7 replicate that.

8 Subsequent to that when that appeared issues
9 were raised about it not being life cycle, we retained an
10 expert -- climate expert to do a life cycle analysis. My
11 numbers were simply burner tip, and they were never
12 purported to be anything other than burner tip.

13 Q. And you never, as you answered Ms. Levine, you
14 never purported to be an expert in that field?

15 A. Absolutely not.

16 Q. Did you -- this is the same question I asked
17 Mr. Gilbert. Did you make any attempt to find out what
18 sort of leak rate -- methane leak rate there would be on
19 the system delivering -- that ultimately delivers to
20 Vermont Gas?

21 A. We did two things. One is we retained an
22 expert that does have the credentials to do the analysis
23 that I do not have.

24 Q. Well you didn't at the beginning, right?

25 A. No. I didn't. Consistent with past Board
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1 practice, I stuck with end use emissions. That's what we
2 have done on our energy efficiency analysis. That's what
3 we did in our most recent 248 for our transmission system
4 expansion, and it's what's been accepted in other Board
5 proceedings. So no, I did not.

6 When it became an issue, we retained somebody
7 that could. The other thing I did is I went back and I
8 looked at our Department of Transportation reports that
9 report the leaks on our system and confirmed that we don't
10 have leaks on our system. And I took a look at our
11 unaccounted for gas, and confirmed that it was at the low
12 end of the industry average, and that's as far as I took
13 my analysis.

14 I relied on Mr. Bluestein's analysis to do the
15 full life cycle.

16 Q. On the price of natural gas, do you expect
17 that if exports of natural gas increase substantially from
18 the United States out to other countries, the price of
19 natural gas will go up?

20 A. I think the price of natural gas is set by an
21 myriad of factors, including production, local demand,
22 international demand, weather. I'm also not going to set
23 myself up as an expert on what would happen to the
24 wholesale price of gas. It could go up in that scenario,
25 but it could also be offset by other factors that would

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1 cause it to go down.

2 What I did do is I took a look at the Energy
3 and Information Administration's various price scenarios.
4 While we relied on one scenario for our forecast they in
5 fact did a multiple different scenarios. And in each of
6 those scenarios natural gas retained its competitive
7 position against the alternate fuels. Because as Mr.
8 Gilbert testified, as it pertains to the economics of this
9 project, the absolute price of natural gas is not as
10 critical as the relative price of natural gas to the
11 alternatives.

12 Q. And in your experience have you seen a lot of
13 fluctuation in energy prices in various kinds of energy?

14 A. Sure. I mean I took a look at what has
15 happened over the past decade of wholesale prices. And I
16 believe there is -- in my rebuttal testimony -- that both
17 fuel oil and natural gas have experienced price
18 volatility, but the natural gas price volatility was about
19 half of that experienced by fuel oil.

20 And over that decade I believe we had a
21 competitive advantage over fuel oil in all but three
22 percent of the time. So I've taken a look backwards and
23 I've taken a look forward, and I don't see anything
24 compelling that would argue that the relative price of
25 natural gas to alternatives is going to be materially

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1 different than what we put forth in this case.

2 Q. And that would be regardless of whether the
3 state or federal governments decided to alter the way
4 natural gas is brought out of the ground for environmental
5 reasons.

6 A. Well I think it's important to remember that
7 those regulations apply not just to the production of
8 natural gas, but also to the production of fuel oil and
9 propane. So again, it's not the absolute price of natural
10 gas that's important. It's the relative price of natural
11 gas to fuel oil and propane that decides the economics of
12 this project.

13 MR. SAUDEK: I have nothing further.

14 CHAIRMAN VOLZ: Thank you. Mr. Diamond.

15 MR. DIAMOND: Yes. I believe the
16 Addison County Regional Development Corp.
17 may --

18 CHAIRMAN VOLZ: Did you have questions?

19 MR. LOUGEE: I do have a couple of
20 questions that I requested earlier this
21 morning.

22 CHAIRMAN VOLZ: Okay. Go right ahead.

23 CROSS EXAMINATION

24 BY MR. LOUGEE:

25 Q. Good afternoon, Ms. Simollardes.
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1 A. Good afternoon.

2 Q. Are you familiar with the supplemental
3 testimony of Tim Bouton, and in particular the Memorandum
4 of Understanding between Vermont Gas and Addison County
5 Regional Planning Commission?

6 A. I am.

7 Q. Okay. Did you sign the MOU on behalf of
8 Vermont Gas?

9 A. I did.

10 Q. Okay. Can you confirm that the MOU accurately
11 reflects the agreement between Vermont Gas and the Addison
12 County Regional Planning Commission?

13 A. It does.

14 Q. Can you confirm the MOU requests that the
15 Board incorporate the conditions in the MOU and into any
16 final order the Board issues?

17 A. I agree with that.

18 MR. LOUGEE: No further questions.

19 CHAIRMAN VOLZ: Thank you. Mr. Diamond.

20 MR. DIAMOND: Thank you, Mr. Chairman.

21 CROSS EXAMINATION

22 BY MR. DIAMOND:

23 Q. Good afternoon, Ms. Simollardes. Do you also
24 have in front of you an exhibit identified Monkton SP-2?

25 A. Not yet.

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1 Q. I can certainly -- I have an extra copy if
2 that would be helpful.

3 A. I do have it with me. I just don't have it in
4 front of me yet.

5 Q. If I may approach.

6 A. I have it.

7 Q. And in this case Vermont Gas reached a
8 Memorandum of Understanding with the Town of Monkton; is
9 that correct?

10 A. We did.

11 Q. And does Monkton SP-2 accurately reflect that
12 Memorandum of Understanding?

13 A. My copy is not labeled, so is that the MOU?

14 Q. Yes.

15 A. Yes. It does.

16 Q. And you executed this document on behalf of
17 Vermont Gas as its representative agent?

18 A. I did.

19 Q. And in this MOU this addresses a number of
20 concerns that the Town had including the siting of the
21 proposed pipeline within the Town of Monkton; is that
22 correct?

23 A. Yeah.

24 Q. And in particular, would you agree that the
25 Town of Monkton had a preference or a goal to ensure that

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1 the pipeline was placed at least 300 feet from existing
2 residential homes and wells?

3 A. That was the -- one of the objectives that
4 Monkton expressed a desire to honor to the extent possible
5 within this Memorandum of Understanding.

6 Q. And would you agree as well that the MOU
7 addresses issues such as the provision of a distribution
8 network within the town?

9 A. Yes.

10 Q. And methods of construction and the size of
11 the transmission pipeline?

12 A. Yes.

13 Q. Does it also address conditions with regard to
14 times for construction, blasting procedures, and testing
15 of wells?

16 A. It does.

17 Q. As well as conditions regarding the placement
18 of the pipeline on agricultural lands?

19 A. It does.

20 Q. And does it also represent an agreement with
21 regard to indemnification for property owners in the event
22 of damage resulting from construction and/or blasting?

23 A. It does.

24 Q. And is Vermont Gas -- is it correct that
25 Vermont Gas is requesting that the terms and conditions of
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1 this MOU be incorporated into a final order by the Public
2 Service Board?

3 A. That's correct.

4 Q. Is it also correct that Vermont Gas is
5 requesting that the CPG, if issued in this Docket, be
6 conditioned upon Vermont Gas's compliance with the terms
7 and conditions therein?

8 A. That's also correct.

9 MR. DIAMOND: In conjunction with the
10 witness's testimony we seek the admission of
11 Exhibit SP-2, although we intend to offer it
12 as well through Mr. Pilcher and his prefiled
13 testimony.

14 CHAIRMAN VOLZ: Is there any objection?

15 MS. HAYDEN: No objection.

16 CHAIRMAN VOLZ: All right. It's
17 admitted.

18 (Exhibit SP-2 was
19 admitted into the record.)

20 BY MR. DIAMOND:

21 Q. Ms. Simollardes, you had -- in your
22 surrebuttal had talked about the potential availability of
23 a conservation easement near the Palmer property; is that
24 correct?

25 A. Yes.

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1 Q. And that easement is westward of the Palmer
2 residence; correct?

3 A. That's correct.

4 Q. And in order to even explore that option you
5 would need to be a co-applicant with the Palmers?

6 A. That's correct.

7 Q. And to the best of your understanding are the
8 Palmers aware that they would have to be a co-applicant?

9 A. I believe they are.

10 Q. And are you aware whether or not the Palmers
11 have ever expressed to you an interest in being a
12 co-applicant for such an application?

13 A. The Palmers have not expressed to me that they
14 would be interested in being a co-applicant. They have
15 expressed a desire for the pipeline to be located on the
16 VELCO corridor. They did give us a right of entry to
17 explore for archeology that westernmost portion of the
18 corridor. But that was not -- that was not --

19 MR. COEN: Westernmost portion of the
20 corridor or --

21 THE WITNESS: I'm sorry. The western-
22 most portion of their property where the
23 conservation easement is located.

24 MR. COEN: Thank you.

25 THE WITNESS: But they did not indicate
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1 whether or not they would be co-petitioners
2 for an easement -- an amendment to that
3 easement.

4 BY MR. DIAMOND:

5 Q. Looking at the exhibit that you presented
6 earlier, Petitioner's Surrebuttal EMS-1, I believe.

7 A. Yes.

8 Q. And maybe it would be helpful, I don't know if
9 you want to refer to the big poster board for the benefit
10 of the Board.

11 A. Okay.

12 Q. But I just want to confirm with your testimony
13 earlier that it's possible with horizontal direct drilling
14 you could add an additional 40 feet beyond the current
15 pipeline layout vis-a-vis the Palmer residence; is that
16 correct?

17 A. That's correct. This segment right in here,
18 and I'm pointing to a spot that is just about due west of
19 the Palmer property, could be horizontally directionally
20 drilled which would allow the pipe to be 40 feet further
21 west, so 40 feet further away from the Palmer property.

22 Q. So that would make for a total of 165 feet?

23 A. Approximately. Yes.

24 Q. Approximately. And if for whatever reason the
25 Board determines that the location of the pipeline had to

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1 go back into the corridor, the VELCO corridor that is, on
2 the westerly side, do you have some measurements of
3 people's homes in proximity to that VELCO corridor on the
4 western side?

5 A. There are two homes shown on this exhibit.
6 One is approximately 75 feet from the edge of the VELCO
7 right of way consistent with our collocation; other places
8 where we are 10 feet within the VELCO right of way, that
9 home would then be within 85 feet of the pipeline. The
10 other home is 100 feet from the edge of the VELCO
11 corridor, so it would be 110 feet away from the pipeline.

12 And the third is a well that would be within
13 about 60 feet of the pipeline.

14 Q. And with regard to the two homes that you were
15 just referencing, that's approximately near pole 187 and
16 pole 188 or marker 187 and 188 just to give a proximity to
17 this example?

18 A. The first one that's 75 feet is approximately
19 by structure 187. The other appears to be right in
20 between 188 and 189.

21 Q. And in this exhibit did you look to determine
22 whether there might be any residential wells associated
23 with the property near 187?

24 A. I did not. The only well that's located --
25 noted on here is the McGinnis well. Somebody from VHB,
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1 maybe Mr. Nelson, would know whether or not there are
2 other wells there.

3 Q. Okay. And likewise for the property with --
4 that's between 188 and 189. You didn't look to determine
5 if there was a well that might be impacted?

6 A. Correct, I did not.

7 Q. And should the property -- should the line be
8 located to the eastern side of the VELCO corridor, are
9 there two other properties that might be within that
10 vicinity of that pipeline?

11 A. There are. One which looks like it's about to
12 the right, I don't know if that's east or south. I guess
13 it's southeast of line 187 would be about -- would be
14 about 45 feet from the pipeline.

15 The other structure right at the turn, so if
16 you went due -- whichever way from structure 190, would be
17 about 25 feet from the pipeline.

18 Q. And likewise were these properties -- did you
19 look to determine whether or not there were wells
20 associated with these residences?

21 A. I did not.

22 Q. And is it fair to say that based upon the
23 numbers that you've just articulated that the distances
24 between the potential pipeline that would go through the
25 VELCO corridor, do you have that in mind?

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1 A. Yeah.

2 Q. Is closer -- its residents would be closer
3 than the Palmer property is under either the current
4 proposal or if you added another 40 feet?

5 A. That's correct.

6 MR. DIAMOND: With the Board's brief
7 indulgence --

8 CHAIRMAN VOLZ: Sure.

9 MR. DIAMOND: Nothing further.

10 CHAIRMAN VOLZ: Thank you. Yes, Mr.
11 Sciarrotta?

12 MR. SCIARROTTA: Yes, VELCO just has a
13 few questions based on Ms. Simollardes' --
14 her testimony this afternoon.

15 CHAIRMAN VOLZ: The live surrebuttal?

16 MR. SCIARROTTA: Yes.

17 CHAIRMAN VOLZ: Okay sure. Go ahead.

18 MR. SCIARROTTA: Okay.

19 CROSS EXAMINATION

20 BY MR. SCIARROTTA:

21 Q. So Ms. Simollardes, good afternoon.

22 A. Good afternoon.

23 Q. You've testified that where the alignment for
24 the pipeline is going to be in the VELCO corridor, that
25 with the exception of crossings on the VELCO corridor,
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1 that it will be located about 10 feet inside from the edge
2 of the VELCO right of way?

3 A. That's correct.

4 Q. Okay. And that for that alignment the
5 pipeline will essentially run parallel to the edge of the
6 VELCO corridor?

7 A. That's correct.

8 Q. Okay. And in the company's original plans
9 submitted in December, on December 20th, the Vermont Gas
10 had proposed putting the pipeline in the dog leg area of
11 the VELCO corridor. That's on your surrebuttal exhibit;
12 is that correct?

13 A. If the dog leg area is essentially from the
14 deep ravine to structure 190, we were on the eastern side
15 of the VELCO corridor in that 12/20 alignment working our
16 way towards the western side of the VELCO corridor, ending
17 up at the western side somewhere in the vicinity of 190.

18 Q. Okay. So it's fair to say that for that area
19 the original proposal would bisect the VELCO corridor on a
20 diagonal path versus being parallel to the easterly side
21 of the VELCO corridor?

22 A. It wasn't a straight parallel. I would need
23 Mr. Heintz to speak more specifically. But I believe your
24 characterization is correct.

25 MR. SCIARROTTA: Thank you. That's all
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1 I have.

2 CHAIRMAN VOLZ: Thank you. Mr. Palmer,
3 do you have questions?

4 MR. PALMER: Thank you.

5 CROSS EXAMINATION

6 BY MR. PALMER:

7 Q. Hello Eileen. Other than yesterday when you
8 called our house, it's been quite awhile since we have
9 chatted about this project. How long has it been?

10 A. Since you and I spoke?

11 Q. Yeah.

12 A. Outside of casual conversations at various
13 public hearings, which you've attended all of them, and I
14 believe we spoke at all of them, I think the last time you
15 and I spoke formally about this was when Mr. Gilbert and I
16 came out and visited your home. I put the exact date of
17 that in a discovery response. I don't have it. You
18 probably know it better than I do.

19 Q. How many times have you been out to our
20 property?

21 A. I have been to your home twice.

22 Q. And both times you were invited?

23 A. Actually the very first time I approached you
24 at one of the first prehearing conferences on this case, I
25 had not met you. I introduced myself to you out in the
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1 hallway before the Board hearing and said I would like to
2 sit down with you and got your contact information and
3 originated the meeting from there.

4 Q. And actual times visiting the farm we invited
5 you out?

6 MR. COEN: Can you pull the mic closer
7 or speak up, Mr. Palmer?

8 BY MR. PALMER:

9 Q. And we have been civil?

10 A. You've been civil.

11 Q. Thank you. Now after VGS violated the right
12 of entry agreement that was signed in May, you called and
13 spoke with Jane on the phone. What was the content of
14 that phone call?

15 A. I called to apologize for the violation of the
16 right of entry. And in that, I explained what had
17 happened. That it was a subcontractor of Vermont Gas, an
18 archeological subcontractor that was on the property
19 beyond the term of the right of entry.

20 Q. Did you indicate whether or not Vermont Gas
21 would be considering the alternative route that we had
22 proposed in that conversation?

23 A. I told you that we were looking at the
24 archeology in that alternative route in that conversation.

25 And I'm -- I guess I'm not clear on when you mean by
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1 considering. We have looked at it. We have priced it.
2 And we still believe that for the totality of reasons I
3 described this morning, in my live surrebuttal testimony,
4 that the route across your property is the appropriate
5 one.

6 As I said last night, I feel very badly that
7 it doesn't work for you. But it does appear to be for the
8 totality of reasons, the appropriate place to locate that
9 pipe.

10 Q. So before this proceeding, since then there
11 has been no indication of whether or not you would use
12 that alternative route.

13 A. I'm sorry. I can't hear you.

14 Q. I say since -- other than before today, there
15 has been no indication as to whether or not you would use
16 that alternative route or not. There has been no
17 communication to us about that; correct?

18 A. Our communications with you have been that we
19 believe that the location on your land of the pipe is the
20 appropriate place to be. And that is also consistent with
21 our Memorandum of Understanding with the Town of Monkton.

22 Q. My point is there has been no direct
23 communication with us as to whether you would accept
24 alternative route or not that we pointed out?

25 A. As I explained this morning, the challenge
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1 with the alternative route, besides cost, is that it is
2 encumbered by a conservation easement. And that is not
3 certain that we would be able to be amended to allow the
4 pipe constructed there.

5 Q. And that has not been relayed to me until
6 these proceedings now is my point. True?

7 A. I don't know that. I will take your word for
8 it. I did not tell you that. I will agree with that.

9 Q. Well --

10 A. Actually I need to correct that. I don't
11 believe that that is true. I think when we were out
12 looking at your farm, Mr. Gilbert and I, that we talked
13 about the challenges of that conservation easement when we
14 were out walking in the field. I think we did talk about
15 that.

16 Q. That was before we gave you the right of
17 entry?

18 A. It was.

19 Q. So you've stated in your rebuttal on page
20 three lines nine to 10 that VGS is working with individual
21 parties to seek mutual resolution to issues and concerns
22 that have been raised. As landowners aren't we parties?

23 A. You are.

24 Q. So how are we seeking to work out these
25 resolutions if we are not talking about them until we get

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1 to here?

2 A. Your questions have been about me talking to
3 you. I know that there have been other folks associated
4 with Vermont Gas that have been out. We have had
5 engineers that have looked at your property as well. And
6 we do not have a signed right of entry to evaluate the
7 location where we are proposing to put the pipe to see
8 whether or not -- we have been doing this -- we think we
9 could HDD -- we could move it 40 feet closer from looking
10 at maps.

11 We do not have the right of entry to go out
12 and look at that land from a full environmental and
13 engineering perspective.

14 Q. I have not heard about HDD across that line
15 until yesterday.

16 A. Agreed. Agreed. Because -- I know that this
17 process has been incredibly frustrating for you. And it's
18 a really difficult process for an individual landowner to
19 participate in. I acknowledge that.

20 When we were looking at your rebuttal
21 testimony and the testimony of your witnesses, and
22 particularly talking about the hydrology, I don't even
23 know who came up with the idea that said, you know, if we
24 HDD'd it we might be able to address some of these issues.
25 I said that's not a bad idea. Let's take a look at that.

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1 It's -- the process is iterative. It's not
2 done until the pipe is put in the ground.

3 Q. So you agree your communication with the
4 landowners is a little lacking?

5 A. I agree that our communications with you have
6 not met the expectations that you would like. I agree
7 with that.

8 Q. Now in your filing on 12/20 at that point
9 horizontal directional drilling was okay, but now it's too
10 expensive?

11 A. I didn't say it was too expensive. I said it
12 was more expensive.

13 Q. Why do you think that we put that property
14 into the WRP?

15 A. I don't know why you put it in. Presumably to
16 preserve the wetlands.

17 Q. Yes. It was. Do you know where the
18 Latreilles' spring is located?

19 A. I'm sorry. The Latreilles?

20 Q. Latreilles' spring.

21 A. I do not.

22 Q. You have been talking about springs. That's
23 definitely not on here.

24 A. I don't know where it's located.

25 Q. Are there other houses on this route that are
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1 within 300 feet of that pipe?

2 A. There are. And I need -- I want to be careful
3 about the term setback. Vermont Gas has not agreed or
4 conceded that a 300 foot setback is necessary or
5 appropriate. What we have done is, to the extent
6 possible, honored the desires of a community to have such
7 a distance. It's not -- there is no setback requirement.

8 Q. Why couldn't you have brought this
9 illustration to us before this time instead of wasting our
10 time here at the Board?

11 A. This was not designed to waste anybody's time.
12 It was designed to help frame the conversation.

13 Q. Conversation has been lacking for quite
14 awhile. So is VGS still maintaining that this pipeline
15 easement will not affect the value of our property?

16 A. We do not have any information that shows the
17 presence of a pipeline decreases the value of a landowner.
18 Notwithstanding that, that is one of the reasons why you
19 pay a landowner for the right to use their land. We are
20 not putting pipe on there and not compensating the
21 landowner. There is compensation that accrues to the
22 landowner for the right of the pipe to be there.

23 I've used my own neighborhood as an example
24 several times. I live in Manley Commons in Milton.
25 Vermont Gas Systems' 10-inch transmission line runs right

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1 through the middle of that neighborhood, right smack dab
2 through the middle of it. There are homes in my
3 neighborhood that are within 30 feet of that transmission
4 line, and they are appraised at the same value as the
5 other homes.

6 We were at a public meeting in Shoreham and an
7 appraiser stood up and said he had asked the tax listers
8 and other municipalities whether or not they
9 differentiated when they were appraising the values of the
10 home for the presence of a transmission line. And he had
11 been told no. I'm not going to tell you that somebody --
12 you're not going to find somebody that said I wouldn't buy
13 a house that's got a transmission line on it, any more
14 than you find somebody that says I wouldn't buy a house
15 that has an electric line, or I wouldn't buy a house that
16 was on top of a mountain because you can't get cable.
17 There is all sorts of reasons why people don't want to
18 purchase property.

19 Q. So if it's not having an effect on my value,
20 why do you offer compensation at all?

21 A. Because we are limiting your use of that land.
22 You cannot erect a structure over the easement after we
23 acquire it. You can farm it, you can put a driveway
24 across it. Across it, not longitudinally. But you can't
25 grow trees on it, and you can't erect a structure on it.

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1 So we are, in fact, limiting a landowner's use
2 of that land to some degree, and that's what the
3 compensation is for.

4 Q. Can you put septic on that easement?

5 A. You can't put a septic over the pipe. Whether
6 or not it could go within the 50-foot easement, I would
7 defer to Mr. Heintz or Mr. Teixeira.

8 Q. So basically you're saying that there is not
9 an effect on the property owner value wise, so you're
10 obviously not figuring any loss of property value in any
11 of your project -- in any of your projections, is that
12 true?

13 A. We are -- I believe that's what I said.

14 Q. Listening to your quotes on savings that the
15 average homeowner says you're going to be up to \$2,000 per
16 person, it seems rather high.

17 A. I don't agree that it is. It's going to vary.
18 The individual customer saving will vary depending on the
19 level of usage they use.

20 The only thing I can point to is the
21 Department of Public Service's Fuel Price Reporter which
22 has the average price of fuel oil, the average price of
23 natural gas, and the average price of propane, and I can
24 compare that to the usage we see. And we are seeing
25 savings over 20 percent.

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1 We have recently expanded into Richmond, and
2 within one year we have 58 percent of that footprint
3 converted. If the savings weren't there I don't think we
4 would see that conversion rate. And that's before the low
5 income rate which adds another 20 percent on top of that.
6 I am not going to look at any customer and guarantee them
7 2,000 savings. It will vary dramatically with what they
8 use. Somebody that only converts to natural gas to run
9 their dryer, they are not going to save \$2,000 a year.
10 Somebody that converts their water heater, their home
11 heating, they could save \$2,000 a year. Depending on the
12 size of the home.

13 Q. So on your greenhouse gas emissions do I have
14 it correct that this is basically savings about one
15 percent off from the greenhouse gas emissions?

16 A. One percent from what?

17 Q. From what the total state's behind the
18 greenhouse gas emissions, this is a reduction of
19 approximately one percent; is that correct?

20 A. I did not calculate how much -- what the
21 reduction would be as a percent of the state's greenhouse
22 gas emissions, but frankly there is a huge target out
23 there for greenhouse gas reductions, and I don't think we
24 are in a position to say no to even a small amount.

25 Q. My local fuel dealer offers 12 different
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1 choices. Six of those are biofuel. How many choices will
2 you have with this project?

3 A. By choices do you mean rate offerings?

4 Q. How many different products will you offer?

5 A. We will offer the sale of natural gas, so I
6 would call that one offering. It is available under a
7 variety of different tariffs for a residential customer.
8 For residential customers there is one rate tariff. We
9 are in discussions with the biomethane developer about
10 whether or not the feasibility of having a partially
11 renewable natural gas tariff that would have the
12 biomethane in it.

13 Q. But it's basically one choice?

14 A. Well you asked me what choices we would have.
15 If you're talking about for the purchase of natural gas, a
16 residential customer has one tariff today with a -- the
17 potential of two. There are other service offerings that
18 Vermont Gas has that a customer's not obligated to take
19 but would be available.

20 MR. COEN: Ms. Simollardes, I think the
21 question was what product do you have. Fuel
22 dealer has several products including I
23 guess a couple different biofuels.

24 How many products does Vermont Gas offer
25 from its pipeline?

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1 THE WITNESS: From our pipeline today we
2 offer one, the sale of natural gas, and we
3 are working with the biomethane developer to
4 have a second.

5 BY MR. PALMER:

6 Q. So you don't offer a renewable -- a renewable
7 product?

8 A. We do not offer a renewable product today.

9 Q. How many landowners are on board with this
10 now? How many easements do you have?

11 A. This is not a current count. But I believe as
12 we sit here today we have 43 percent of the entire route
13 secured, and another 32 percent in active negotiation.

14 Q. So I'm not the only hesitant one?

15 A. Excuse me?

16 Q. I'm not the only hesitant landowner?

17 A. You are not the only landowner that has not
18 signed an easement. That's correct.

19 Q. I asked Don Gilbert this question once before.
20 Can you guarantee that Vermont Gas will always be
21 competitive with fuel oil?

22 A. I can't guarantee that. But as I said in
23 response to a different line of questioning, I've looked
24 backwards for a decade, and there were only three percent
25 of the time on a monthly basis that we were not less

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1 expensive than fuel oil. I've looked forward using the
2 EIA information under a variety of scenarios and all of
3 them had natural gas at a competitive advantage to fuel
4 oil. I cannot guarantee that.

5 I do point out, however, that customers choose
6 to use their energy product for a variety of reasons, and
7 price is only one of them. Some people really like the
8 convenience of not having to schedule deliveries. Other
9 people like the fact that we are regulated. Other people
10 like the fact that they are going to have access to energy
11 efficiency programs. So no, I can't guarantee it.

12 If we were not competitive with fuel oil it
13 doesn't necessarily mean that customers would not choose
14 to use our product.

15 Q. Now CLF had requested a copy of the easement
16 agreement from you in your first round of discovery. You
17 objected. We asked for a copy in our second round of
18 discovery. You sent me a memo and an option for an
19 easement.

20 Is there some reason why you don't want me to
21 see the actual easement agreement?

22 A. I believe we sent you the easement agreement
23 as well. There is absolutely no reason why anybody can't
24 see the easement agreement.

25 Q. All I saw was an option for an easement.

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1 A. I will check that discovery response.

2 Q. Thank you.

3 A. Those option agreements are widely circulated.
4 The easement agreements rather.

5 Q. So do you believe this is a done deal?

6 A. Looking around this room, no.

7 Q. Just curious why you're opening offices down
8 in Middlebury --

9 A. Because --

10 Q. -- if it's not a done deal?

11 A. We are not opening offices down in Middlebury.
12 We are recruiting for staff in Middlebury. Because there
13 is a significant lead time associated with making sure
14 that the day the pipe -- the valve is turned and the gas
15 is flowing, we are ready to honor our service commitments
16 and serve Addison County customers with the same level of
17 service that Franklin and Chittenden County get. And we
18 take that obligation very seriously.

19 It's in no way an indication that we think
20 it's a done deal. It's planning.

21 Q. So you are expecting it to go?

22 A. I'm hoping for it. I think this is a really--
23 obviously I think that this is a really, really good deal
24 for Vermont and hoping the Board approves this. We have
25 put a lot of time and effort into it, and I've said this
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1 before, I know we disagree on this, but I believe with
2 every fiber of my being that this is a good deal for
3 Vermont. And we would be remiss in not planning for its
4 success.

5 MR. PALMER: Thank you. I'm done.

6 CHAIRMAN VOLZ: Mr. Palmer, so you've
7 concluded your questions?

8 MR. PALMER: I have.

9 CHAIRMAN VOLZ: I would just like for
10 the record -- for clarification of the
11 record, whatever Ms. Simollardes thinks is
12 -- doesn't matter to me. The company can't
13 go forward unless we give approval, and we
14 certainly haven't made a decision.

15 It's not a done deal as far as we are
16 concerned.

17 MR. PALMER: Thank you, sir.

18 CHAIRMAN VOLZ: I wanted people to be
19 aware of that. I would also like the record
20 to reflect you signed up for 10 minutes but
21 you actually took around 20 or 25 minutes,
22 and I have no problem with that. People
23 have complained about us not being
24 accommodating, and I wanted to be clear that
25 we were happy to accommodate you in your
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1 questioning.

2 MR. PALMER: I'm sorry, sir. I'm new to
3 this process.

4 CHAIRMAN VOLZ: I totally understand
5 that. You don't need to be sorry. This
6 wasn't directed to you. It's something I
7 wanted to have in the record.

8 MR. BURKE: We have done it for others
9 too that went over.

10 MR. PALMER: Appreciate that.

11 CHAIRMAN VOLZ: I think we are up to the
12 Department. Do you have questions for this
13 witness?

14 CROSS EXAMINATION

15 BY MS. PORTER:

16 Q. Good afternoon, Ms. Simollardes.

17 A. Good afternoon.

18 Q. You were discussing energy issues --

19 MR. COEN: Pull up the mic.

20 MS. PORTER: Okay.

21 BY MS. PORTER:

22 Q. Is that better?

23 A. I can hear.

24 Q. You were discussing energy efficiency with Mr.
25 Palmer just now.

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1 A. Yes.

2 Q. Does Vermont Gas operate an energy efficiency
3 program?

4 A. Yes. We have been offering energy efficiency
5 programs since about 1992. We were recently designated an
6 Energy Efficiency Utility by the Public Service Board to
7 continue offering natural gas energy efficiency programs.

8 Q. And to your knowledge is energy efficiency
9 itself considered a product?

10 A. A product? I consider it a service offering.
11 I don't know if I would consider it a product.

12 Q. Okay. An offering?

13 A. A service offering that Vermont Gas has.

14 Q. Okay. All right. Thanks. Back to the Rotax
15 Road reroute.

16 A. Yes.

17 Q. We have talked a good bit about the alignment
18 as proposed today which goes across the Palmers' property
19 and is in their immediate yard. We have talked about a
20 return to the VELCO right of way. And then we have
21 mentioned this area to the west which is burdened by a
22 federal conservation easement.

23 A. Correct.

24 Q. And I've heard you say that that is not a
25 preference of Vermont Gas because there is uncertainty.

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1 A. It's not a preference for Vermont Gas for two
2 reasons. One that would need to be horizontally directly
3 drilled at approximately cost of 850,000. That land is a
4 wetland. We are confident that we can construct without
5 impacting the wetland by horizontally directly drilling,
6 but that said, if you can avoid it, why not.

7 And the uncertainty as to the outcome of the
8 easement amendment process both as to time and ultimate
9 outcome.

10 Q. And could you explain that a little more?
11 What is your understanding of how long it takes to get an
12 approval or a rejection?

13 A. Well I'm not sure that the Vermont office has
14 done this before. But it does include a NEPA review,
15 which requires it to go out to public comment. It
16 requires that there is not another alternative. And we
17 have heard estimates of anywhere from just under a year to
18 just over three years depending on the nature of the
19 amendment being offered.

20 But again Vermont Gas doesn't have any
21 experience on that, and I'm not sure the Vermont office of
22 the wetland folks have done this. This is based on
23 amendments for other easements in other jurisdictions.

24 Q. Okay. So your inability to know that you
25 would be in a position to use the property could affect

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1 your construction schedule?

2 A. It could affect the construction schedule.

3 And we are not in, you know, quote; a hurry to construct

4 for the heck of it. We are in a hurry to construct

5 because the first phase of this brings gas service to the

6 Middlebury Industrial Park where the largest customers are

7 located, including Agri-Mark. And there is significant

8 savings to those customers, and a year's delay is real

9 dollars to them.

10 That's why we would like to construct this

11 project next year so we could bring natural gas service to

12 the Middlebury Industrial Park in late 2014, and then go

13 back and construct the distribution networks within

14 Vergennes and Middlebury in 2015 so those customers would

15 have access to gas service winter '15, '16.

16 Q. Okay. Thank you. We have heard some talk

17 today about lost and unaccounted for gas. Could perhaps

18 you explain what that is a little more?

19 A. I'll do my best, and then if there is more

20 questions, Mr. Teixeira would be the appropriate person to

21 answer that.

22 Essentially lost and unaccounted for gas is

23 the difference between the measured volume of gas that we

24 purchase at the border and Vermont Gas purchases all of

25 its gas at the Vermont border at our gate station in a

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1 location called Philipsburg, essentially the U.S./Canadian
2 border. And it's the difference between that value and
3 the sum of all of our customers' meters.

4 So right away unless you could instantaneously
5 read every meter exactly at the same time as you were
6 reading your border meter, you're going to have a
7 difference simply because of timing. Meters by definition
8 have slight inaccuracies in them. They can go one way or
9 the other.

10 There could be heating content differences, we
11 purchase our gas in Canada in GJ, gigajoules, and we sell
12 in MCF, so there is conversion differences there. And
13 then there is company use which is the amount of gas that
14 we use in some of our gate stations, not all of which is
15 metered.

16 And there could be what is known as fugitive
17 methane. My opinion is the last one is a very small
18 number because we track our leaks, and at the end of the
19 year if you look at our DOT reports, we do not have any
20 open leaks. We fix them all. And we also report to the
21 Environmental Protection Agency under their greenhouse gas
22 reporting system known colloquially as EGRIT, and those
23 numbers also show a very low level of fugitive gas
24 emissions.

25 Q. So the unaccounted for portion of that phrase
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1 is relevant. It's not all --

2 A. It truly is unaccounted for. It's exactly
3 what it says. It's the difference between what we bought
4 and what we sold.

5 Q. Okay. Let's talk about the cost of the
6 project a little bit.

7 Were you here this morning when Mr. Gilbert
8 talked about that?

9 A. Yes.

10 Q. And I believe his testimony, perhaps your
11 testimony as well, the initial estimate was approximately
12 84 million.

13 A. Correct.

14 Q. And the current working estimate, if you will,
15 is around 86.6 million?

16 A. That's correct. The 12/28 alignment and Mr.
17 Heintz's testimony of 12/28 and his testimony of June 28 I
18 believe all speak to an 86.6 price tag.

19 Q. And you have entered into MOUs with several of
20 the parties that are in this case?

21 A. Correct.

22 Q. And those MOUs reflect both benefits and cost
23 to VGS?

24 A. That's correct.

25 Q. Could you maybe just outline real quickly the
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1 MOUs? Just run down the ones, because I think some have
2 been entered into since your rebuttal testimony.

3 A. So we have entered into a Memorandum of
4 Understanding with the Town of Monkton, Monkton School
5 District, the Ag group which is comprised of Vermont Land
6 Trust, Vermont Housing Conservation Board and the
7 Department of Agriculture. Addison County Regional
8 Planning, Agency of Natural Resources and VELCO.

9 Q. And some of these trade-offs to reach
10 agreement you have perhaps done reroutes, other things
11 that have affected your cost?

12 A. Some of these memorandums are simply
13 affirmations of what was already in our testimony,
14 confirming that we were going to abide by our
15 environmental regs, or confirming that we were going to do
16 a specific landscaping scheme at a gate station.

17 Others, for example, the MOU with Agency of
18 Natural Resources, we have agreed to horizontally
19 directionally drill two additional locations, the cost of
20 which is not reflected in the 86.6 that we talked about a
21 moment ago. Others have discussion about service
22 commitments that will require an investment in some cases
23 gate stations, small gate stations, and in all cases
24 distribution mains.

25 Those are not part of this project nor do I
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1 necessarily think they should be. They would be rolled
2 into our standard feasibility and covered that way. Those
3 are -- if you're talking about overall expenses -- those
4 in fact have costs associated with them, but they are not
5 directly in this proceeding and part of that.

6 Q. Okay. Other than the changes that have
7 occurred in the project itself over time, due to those
8 MOUs, et cetera, have there been cost differences that are
9 attributable to other things that you're aware of?

10 A. Yes. For example, and again, Mr. Heintz, Mr.
11 Teixeira, or Mr. Howe is better able to speak to the
12 specifics, but the Department of Public Service's safety
13 witness has some recommendations about the type of pipe,
14 and the type of class construction we should do, which
15 have some cost ramifications to them as well.

16 We are constructing this project to class
17 three conditions throughout the whole thing even though
18 some segments of it are class one and class two.

19 Q. Okay. Your cost estimates, do they reflect
20 all of the transmission and distribution line that will be
21 necessary to serve businesses and residents in Middlebury
22 and Vergennes?

23 A. The 86.6 doesn't. The 86.6 is the
24 transmission main line and the distribution main line to
25 Vergennes and Middlebury. The networks within Vergennes

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1 and Middlebury are not in that number. But that number is
2 referred to in Mr. Gilbert's testimony, I think Mr. Carr's
3 testimony and my testimony.

4 I'm now -- actually I won't do it from memory.
5 I'll look it up. One second please. When you add the
6 distribution networks within those two communities, the
7 project at the 86.6 cost is 92.9. And the economic
8 analysis and the savings were all done including the
9 distribution networks.

10 Q. So six million or so? Is that --

11 A. Oh, it would have been helpful -- yes. The
12 distribution are 6.3 million excluding the cost of
13 services and meters which were in fact included in all of
14 our analysis and are not broken out separately here. I
15 didn't roll them up, because the cost of services in
16 meters grows over time as the market penetration grows.

17 Q. Okay. Now I would like to turn to the system
18 expansion fund for just a moment. Are you familiar with
19 that Docket? I believe it was 7712?

20 A. I am.

21 Q. Okay. My understanding is that at some point
22 in time Vermont Gas is going to seek permission from the
23 Board to use the money that's sitting and growing in that
24 fund?

25 A. That's correct. We are intending to do so
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1 with our 2014 base rate filing.

2 Q. And what was the purpose of the fund?

3 A. The purpose of the fund was Vermont Gas at
4 that time had what we thought was an incredible
5 competitive advantage. It was 25 percent. And as we sit
6 here now it's 40 plus. We have had several rate
7 reductions in a row. I'm doing this part from memory, but
8 I think it was 10 and 11 quarters or nine and 10 quarters.
9 And we were getting ready to have an additional rate
10 reduction as part of our quarterly PGA of about 5.4
11 percent.

12 We had been hearing increasingly from
13 stakeholders is there any way to extend natural gas
14 service to more parts of the state. This is a very rural
15 state. We need a transmission spine to serve basically
16 anything outside of our existing footprint. And we had
17 the thought that rather than reducing rates for either a
18 tenth or 11th time, we would take that 5.4 percent what
19 otherwise would have been a rate reduction, we would put
20 it aside in a reg liability, a regulatory liability, and
21 use it to help smooth the rate effect of expansion into
22 markets that on their own couldn't justify the 41 miles of
23 transmission pipe that are required.

24 I should point out that the Vergennes and
25 Middlebury markets, if they were located like where

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1 Richmond is or Enosburg or Hinesburg, the network within
2 those communities supports the investment within the
3 communities. It is really the need to bring that
4 transmission line 41 miles closer to those communities
5 that was driving the need for that transmission -- for the
6 System Expansion Reliability Fund.

7 So we approached the Board about being able to
8 do so. We explained the benefit to Franklin and
9 Chittenden County by the ability to back feed our existing
10 system, the fact that greenhouse gases and environmental
11 attributes don't stop at county lines. So sort of the
12 rising tide raises all ships. So as Addison County goes,
13 there will be a ripple benefit in Chittenden County.

14 And we explained the fact that long-term
15 Vermont Gas would like to serve the Rutland market and
16 someday hook into the system -- the U.S. system so we had
17 choices as it pertained to our supply. The Board weighed
18 those considerations and agreed to allow us to put that --
19 those monies aside subject to oversight. And they were
20 very clear that they were not authorizing us to actually
21 spend any money, nor were they authorizing the preapproval
22 in any shape or form of any given project. It was simply
23 a funding mechanism that we could use to smooth the rate
24 impact that may otherwise be associated with expansion
25 into rural areas.

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1 Q. Okay. In this proceeding, in this 248
2 proceeding, are you asking the Board to bless, if you
3 will, any particular method of taking money out of the
4 fund?

5 A. No.

6 Q. Are you asking the Board to allow you to use
7 the fund for any construction?

8 A. No.

9 Q. Are you seeking recovery of any cost
10 associated with the project in this proceeding?

11 A. No.

12 Q. And are you seeking the Board's approval for
13 any specific rate treatment in this proceeding?

14 A. No.

15 MS. PORTER: That's all we have for Ms.
16 Simollardes.

17 CHAIRMAN VOLZ: All right. Thanks.

18 MR. BURKE: Ms. Simollardes, I noticed
19 that in response to a question from the
20 Department you said that the benefits don't
21 stop at the county lines. And costs,
22 including maybe environmental costs, do they
23 stop at county lines or even state lines for
24 that matter?

25 THE WITNESS: It depends on the
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1 environmental attribute you're talking
2 about. Obviously air quality doesn't stop
3 at a town line or a city line or state line.

4 MR. BURKE: Thank you.

5 MS. TIERNEY: Good afternoon, Ms.
6 Simollardes.

7 THE WITNESS: Good afternoon.

8 MS. TIERNEY: I am looking at page 12 of
9 your rebuttal testimony. If you could go
10 there. In that passage you're discussing
11 Mr. Palmer's testimony regarding the
12 potential impact of the project on his
13 farm's possible organic certification.

14 Do you see that?

15 THE WITNESS: I do.

16 MS. TIERNEY: Have you had occasion to
17 review the exhibits attached to Mr. Palmer's
18 rebuttal testimony?

19 THE WITNESS: I have.

20 MS. TIERNEY: And do you perhaps recall
21 the article that was attached as exhibit
22 Palmer Rebuttal 2? Pipelines, Power Lines
23 and Organic Farms?

24 THE WITNESS: I recall it. I will not
25 profess to have a working knowledge of that
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1 exhibit.

2 MS. TIERNEY: You disappoint me in that,
3 Ms. Simollardes. But that said, I read that
4 exhibit with interest. And I wonder if your
5 counsel perhaps could give you a copy of
6 that so we can discuss it for a moment.

7 THE WITNESS: Sure. I'm sorry. Was
8 that exhibit attached to Mr. Palmer's direct
9 rebuttal testimony or his direct testimony?
10 Got it.

11 MS. TIERNEY: You've got it.

12 THE WITNESS: I do.

13 MS. TIERNEY: His rebuttal testimony to
14 answer your question.

15 THE WITNESS: Thank you.

16 MS. TIERNEY: So as I understand it Mr.
17 Palmer's concerned that putting the pipeline
18 across his property would conceivably impact
19 his organic farm certification or his
20 prospect of obtaining one.

21 And I understand the company's response
22 to be well we have our own grounds for
23 believing that he need not be concerned
24 about that. Is that basically where we are?

25 THE WITNESS: When the -- that is where
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1 we are. When the organic -- the potential
2 impact on organic farm certification or the
3 potential for the Palmers to ultimately have
4 their farm certified as organic was raised,
5 we asked VHB to evaluate that for us. We
6 actually made an outreach to the Ag
7 Department as well, who are not the folks
8 that actually deem a farm organic, so I
9 understand that they would not necessarily
10 be the definitive authority on that.

11 But we did ask VHB to look into the
12 criteria for organic certification and
13 whether or not anything about the pipeline
14 was incompatible with that. Mr. Nelson's
15 memorandum is attached to my rebuttal. I am
16 not the organic expert by any stretch of the
17 imagination. The only thing I do know is
18 the -- there are several farms in the
19 Intervale area that are organic, and are our
20 pipeline coexists with them.

21 MS. TIERNEY: I seem to recall an
22 exchange in discovery between you and Mr.
23 Palmer on that very point. And the
24 impression that remained with me on that was
25 that Mr. Palmer pointed out there was one
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1 organic farm that met the description that
2 you just indicated. But you used the
3 plurals. Can you clarify that?

4 THE WITNESS: I did use the plural, I
5 used the plural deliberately. Mr. Palmer
6 criticized my use of the form of plural when
7 I only gave him one example. But within the
8 Intervale farm area there are several
9 individual farms that have organic
10 certification. I only gave him one name.

11 MS. TIERNEY: Okay. Fair enough. Now
12 turning to the exhibit to Mr. Palmer's
13 rebuttal testimony that I've asked you to
14 pull out. If I could ask you to turn to
15 page 34 of that article. And when you're
16 there, let me know.

17 THE WITNESS: I'm there.

18 MS. TIERNEY: Okay. Could you read into
19 the record the item that starts with roman
20 numeral four, just the title.

21 THE WITNESS: Standard of Practice to
22 Mitigate Harm to Organic Farms.

23 MS. TIERNEY: Now I accept your
24 statement earlier that you have not
25 committed this all to your memory. But do
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1 you have any memory of reading this model
2 code, if you will?

3 THE WITNESS: I did skim this. I did
4 not study this.

5 MS. TIERNEY: Fair enough. And I
6 wouldn't expect you to testify as an expert
7 on these things here. But I am interested
8 to know whether the company has any basis
9 sitting here today to oppose conceivably a
10 condition in a CPG that would require this
11 plan or something similar in order to
12 address the concerns that Mr. Palmer has
13 brought forward but that I imagine
14 potentially other farms if there are any
15 with organic concerns would be interested in
16 having as a form of protection as well.

17 THE WITNESS: Conceptually that seems
18 acceptable. I cannot say absolutely we do
19 not have a concern with that without
20 understanding better the cost and
21 ramifications of doing so, because there may
22 be other ways to achieve the same end.

23 MS. TIERNEY: Fair enough. But you
24 certainly would be open to a condition that,
25 for instance, required you to come up with
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1 such a plan and to do so in consultation
2 with people like the Palmers.

3 THE WITNESS: I think it would be fair
4 to say that Vermont Gas's construction
5 practices should not -- should ensure that
6 organic farm's status is not compromised.

7 MS. TIERNEY: There is also a provision
8 in that plan that speaks to compensation for
9 demonstrated damages to crops, for instance,
10 in event that were to happen. I would ask
11 you -- I think it's toward the end of that
12 plan -- if you could have a real quick look
13 at that.

14 THE WITNESS: I'm sorry. I don't have
15 my glasses. My arm's not long enough. I
16 don't -- there is the compensation piece.
17 It's actually on page 34 above that. And it
18 basically says compensation will be based on
19 crop yield and/or crop quality
20 determinations.

21 We are in the -- as we are negotiating
22 individual easements with landowners,
23 particularly landowners that are actively
24 farming, we are including crop damage
25 compensation in those easements. There is
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1 -- I should actually have Mr. Heintz speak
2 to this, but globally or generally speaking,
3 there is a value that is set by I believe
4 the UVM Ag Department for various crops.
5 And we are estimating the acreage that we
6 are disturbing and compensating based on
7 that formula.

8 MS. TIERNEY: Now listening to that here
9 I would take that to mean that you've given
10 thought to conceivably offering compensation
11 for crops that had been corrupted due to
12 construction.

13 THE WITNESS: Correct.

14 MS. TIERNEY: Let's go one step further.
15 What about crops that have been displaced or
16 will not have been sown permanently because
17 of the effects of the pipeline if such an
18 effect were demonstrated? Have you given
19 that any thought?

20 THE WITNESS: That is a far more
21 difficult task because you are trying to
22 predict what otherwise may have happened to
23 land without necessarily any evidence that
24 in fact the land would be used for that.

25 People -- we have had people tell us things
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1 from I was going to subdivide this and put
2 up condos, to I was going to organically
3 farm that. We need to work on what's there
4 and what's reasonably predictable.

5 MS. TIERNEY: Fair enough. But on the
6 other hand, I seem to recall from Mr.
7 Palmer's testimony that he -- in fact it is
8 their practice now to rent out their land or
9 the use thereof to folks who do organic
10 farming.

11 THE WITNESS: Agreed.

12 MS. TIERNEY: And it is quite possible,
13 don't you think, that there would be folks
14 who would no longer be willing to do that
15 because of this pipeline crossing their
16 land?

17 THE WITNESS: Unless there were adequate
18 steps taken, or we were able to sit with the
19 organic farming folks and review our
20 practices in more detail and get comfort --
21 the actual -- the letter from the organic
22 folks that are -- that was attached to Mr.
23 Palmer's direct testimony, I believe,
24 concludes with a statement along the lines;
25 mitigation would be possible. It doesn't
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1 actually say you cannot do this. It says
2 steps need to be taken.

3 MS. TIERNEY: But in turn those steps
4 might fit into the plan that I am sitting up
5 here and asking you whether you would be
6 interested in drafting such a plan.

7 THE WITNESS: Correct.

8 MS. TIERNEY: Is that correct?

9 THE WITNESS: Yes, that is correct.

10 MS. TIERNEY: I have no further
11 questions. Thank you.

12 CHAIRMAN VOLZ: Thanks.

13 MR. YOUNG: Good afternoon, Ms.
14 Simollardes.

15 THE WITNESS: Good afternoon.

16 MR. YOUNG: Let's start with some easy
17 stuff.

18 THE WITNESS: I'm not sure I like the
19 harbinger, but go ahead.

20 MR. YOUNG: No, short and sweet.

21 THE WITNESS: Okay.

22 MR. YOUNG: Let's start with some of the
23 MOUs that are outstanding. I'll get the
24 right binder here. First, you have the
25 agreement with Addison County Regional
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1 Planning Commission; is that correct?

2 THE WITNESS: Correct.

3 MR. YOUNG: And as I understand it
4 you've -- as I understand it, you've reached
5 agreement on most issues but there were two
6 outstanding issues; is that correct?

7 THE WITNESS: There were.

8 MR. YOUNG: And do I take it that
9 Vermont Gas opposes the two recommendations
10 in those areas -- on those two areas?

11 THE WITNESS: We did.

12 MR. YOUNG: Can you explain to me why?

13 THE WITNESS: We -- the two
14 recommendations were to provide I believe
15 non-sparking tools to first responders in
16 the Addison County region, and a meter to
17 detect gas levels. Our point was we have
18 not provided those, that type of equipment,
19 to first responders in our existing
20 footprint; Franklin and Chittenden County.
21 That first responders in Addison County
22 currently respond to emergencies with
23 gasoline or propane or fuel oil, and that in
24 many cases really what we would like them to
25 do is call us, and we will shut off the
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1 meter.

2 And then finally, that there are
3 significant property tax payments going to
4 the different communities, and the
5 communities could determine how best to
6 spend the money. Frankly, they are not huge
7 ticket items. It just -- it seemed like a
8 bad precedent, and it's not something that
9 we have done in new communities.

10 We are going into Enosburg this year.
11 We are not providing Enosburg with non-
12 sparking tools and those gas meters. We
13 went into Richmond last year, ditto.
14 Hinesburg, Jericho, Underhill; it's just not
15 something that we have done.

16 MR. YOUNG: Okay. Let me move to the
17 MOU with the Town of Monkton, please. And
18 you're talking about this earlier or you
19 were talking about this earlier. I was
20 curious, if you turn to page eight of that
21 MOU.

22 THE WITNESS: Yes.

23 MR. YOUNG: You have an agreement in
24 condition 5-B here to fully remediate any
25 damage or adverse impact caused by the
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1 construction of the pipeline on wells and
2 septic systems within 300 feet; is that
3 correct?

4 THE WITNESS: Yes.

5 MR. YOUNG: Is there any reason -- does
6 that commitment apply outside the Town of
7 Monkton, or is that just within Monkton?

8 THE WITNESS: As a condition right now
9 it's just within the Monkton.

10 MR. YOUNG: Is there any particular
11 reason that the Board should not adopt that
12 as a condition throughout the pipeline or
13 throughout the route or -- I'll give you
14 another alternative, that VGS wouldn't
15 commit to this throughout the route?

16 THE WITNESS: I'm reading the language
17 again.

18 MR. YOUNG: Okay.

19 THE WITNESS: I'm not a fan of
20 additional permit restrictions or permit
21 conditions. I always worry about unintended
22 consequences. That said, I think it would
23 be very difficult for Vermont Gas to look at
24 somebody that lives in New Haven who's well
25 is within 200 feet of our line, the
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1 challenge would be actually demonstrating
2 that the issue with the well was caused by
3 Vermont Gas. In the Town of Monkton --
4 although my understanding of the blasting
5 plan is we are going to be doing pre-blast
6 surveys of all the wells so we would have a
7 baseline.

8 MR. YOUNG: Okay. Let me try to
9 recharacterize what you just said. As a
10 matter of principle you don't like
11 additional conditions, but in terms of this
12 particular commitment, it doesn't really
13 bother you, is that a fair characterization?

14 THE WITNESS: I don't think I said it
15 wouldn't bother me. What I think I said is
16 I think it would be a challenge for Vermont
17 Gas to deny somebody if we had damaged their
18 well somehow within 300 feet that we
19 wouldn't treat them the same way as we were
20 treating somebody in Monkton. I think this
21 would be a challenge for us not to apply the
22 same condition up and down the 41 miles.

23 CHAIRMAN VOLZ: And therefore you don't
24 think we need to make the condition
25 ubiquitous. You think there is enough of an
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1 incentive already for Vermont Gas to --

2 THE WITNESS: Exactly.

3 CHAIRMAN VOLZ: -- to deal with this
4 problem outside Monkton, if it were to come
5 up?

6 THE WITNESS: Because remember that in
7 Vermont Gas's world this is phase one of a
8 multi-year project, ultimately, you know,
9 getting us to Rutland. And if we do not do
10 phase one with excellence, we are going to
11 have just -- one, it's just the right thing
12 to do. But two, we are going to have
13 challenges in subsequent phases. We have
14 every motivation to do this right.

15 MR. YOUNG: Let me rephrase it
16 differently. Do you think what -- the
17 condition that's set out here in the MOU is
18 the appropriate standard of care associated
19 with blasting and construction where there
20 may be wells?

21 THE WITNESS: I cannot speak to that.
22 You would be far better off asking Mr.
23 Heintz that question.

24 MR. YOUNG: Okay.

25 THE WITNESS: I did not author this. I
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1 ran it by the engineers and asked if this
2 was an appropriate standard of care. You
3 should ask Mr. Heintz or Mr. Teixeira that
4 question.

5 MR. YOUNG: Okay.

6 MR. BURKE: Ms. Simollardes, could I for
7 a second, George? Do you understand -- I
8 know you're not a lawyer -- but do you
9 understand the concept of strict liability
10 especially as it applies to blasting?

11 THE WITNESS: I'm not sure that I do
12 actually because I feel like there is a
13 nuance to the term strict liability that as
14 a layperson I may not understand.

15 MR. BURKE: Thank you.

16 MR. YOUNG: Let me try one other town
17 related issue that was raised. I asked Mr.
18 Wark earlier about the statements from the
19 Town of Williston. I think he ducked that
20 to you.

21 THE WITNESS: I think he did too.

22 MR. YOUNG: Very kindly. And do you
23 have any response to whether VGS is
24 responsible meeting those commitments?

25 THE WITNESS: I actually don't have that
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1 letter in front of me. If somebody has it,
2 I would like to reread it. I am not aware
3 of any issues pertaining to Williston right
4 now.

5 MS. HAYDEN: Was this in the original?

6 THE WITNESS: It was an exhibit I think
7 in Steve's initial testimony.

8 MR. YOUNG: I believe Exhibit 4.1.
9 Here. Just take mine.

10 THE WITNESS: Got it.

11 MR. YOUNG: Since you have it, I can't
12 ask you what it says, but I believe it's the
13 blue highlighted areas were the three things
14 that Williston had been asking you about.
15 The last three paragraphs of exhibit what is
16 it? SJW-4.1?

17 THE WITNESS: So there are three
18 recommendations there. One is for continued
19 awareness and informational training that
20 would need to occur. Absolutely we have
21 agreed to that. We will continue to do
22 public awareness. And there is a different
23 level of public awareness for landowners
24 along the transmission line, so that will
25 continue.

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1 Advanced training will be required. We
2 are -- we will make sure in our training
3 with all the fire departments and first
4 responders that it includes anything that
5 would be specific to the transmission line.

6 The last bullet is the sophisticated
7 metering equipment. That's the same issue
8 that we just spoke to -- or about with
9 Addison County Regional Planning. We have a
10 transmission line today that runs from the
11 Highgate border to Burlington, and we did
12 not buy this kind of equipment.

13 We are not sure that we agree with that
14 statement. The follow up that we have had
15 with Williston, this is from the Williston
16 Fire Department, Williston Fire Department
17 letterhead. But with regard to the Town
18 Manager, Mr. McGuire, most of the follow up
19 with Mr. McGuire is really about how to
20 extend service to other parts of the town in
21 conjunction with this project.

22 MR. YOUNG: Okay.

23 THE WITNESS: So I would say two of the
24 three I'm confident that have been resolved.

25 The third I'm not sure we agree with.
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MR. YOUNG: The third is the type of equipment we were talking about with the Addison County Regional Planning Commission.

THE WITNESS: Exactly.

MR. YOUNG: Let me move to a different set of topics. In your testimony, and unfortunately I didn't mark it on my notes as to whether it's rebuttal or direct, you'll remember because you used it earlier. You said there are three months since 2004 where the price of natural gas has been above fuel oil and/or propane. Correct?

THE WITNESS: Correct. I should -- that was my rebuttal testimony. I will find that.

MR. YOUNG: It's at page eight. Did mark the page number down. Just didn't mark which one.

THE WITNESS: And I should -- want to be careful when I say price. This was as reported by the DPS's Fuel Price Reporter. I'm not talking about wholesale prices, and I'm not talking about necessarily prices across all rate classes.

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1 MR. YOUNG: Do you remember when those
2 months were?

3 THE WITNESS: No. But I could get the
4 data easy enough.

5 MR. YOUNG: No. I was just curious as
6 to whether this was something that was
7 concentrated on the period post-Katrina
8 where there was certainly some disruptions
9 in the natural gas markets in the U.S.

10 THE WITNESS: I don't remember.

11 MR. YOUNG: Okay. On page seven of your
12 rebuttal testimony, you mentioned the model
13 for biomethane.

14 Do you have -- is this a specific
15 proposal, or are you just looking at a
16 concept? How should I look at this?

17 THE WITNESS: A little bit of both. We
18 are currently working with a biomethane
19 developer on the Goodrich Farm in Salisbury
20 to pipe renewable natural gas or biomethane
21 from that farm to Middlebury College.
22 That's an active development discussion.
23 Middlebury College is not purchasing all of
24 the output of that biomethane project. So
25 part of the other conversation we are having
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1 with the biomethane developer is what to do
2 with the rest.

3 And there is a couple of different
4 models that could unfold. One is Vermont
5 Gas could just buy it and put it in our
6 portfolios, and I would liken that to more
7 the SPEED kind of model where you take the
8 output and you just roll it in, and it's
9 part of your PGA with everything else.

10 The other model would be what I've
11 called the Cow Power which is Vermont Gas
12 still buys it, but we stream it directly to
13 customers who are interested in purchasing
14 that type of service. As we sit here right
15 now we are leaning towards the optional Cow
16 Power type of approach for that biomethane.
17 There is not a -- the project's not built.
18 The developer is still working on things.
19 But we have -- we are in active discussions
20 with both Middlebury College as it pertains
21 to how are we going to sell them a service
22 that's blended by methane and natural gas
23 and with the developer around the
24 construction of the facilities needed and
25 what's going to happen with the excess
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1 output from that digester.

2 MR. YOUNG: It will be interesting to
3 see you try to market a higher level of gas,
4 but -- so are we expecting to see a real
5 proposal in this area within, you know,
6 within the next couple years or --

7 THE WITNESS: To a certain extent the
8 timing of this is not driven by Vermont Gas.
9 But yes, I believe the Board would see at
10 least one, if not three different
11 arrangements related to this.

12 The first would be a special contract
13 between Vermont Gas and Middlebury College.
14 Because they are going to have one meter and
15 two types of gas flowing through it. So
16 they are going to have a blend of
17 interruptible sales, service where they are
18 buying the molecules from us, and an
19 interruptible transport service where they
20 are buying the molecules from the biomethane
21 developer.

22 So we don't have a tariff that's a
23 hybrid right now, transport in sales, so
24 that would be a special contract. And then
25 the other two possibilities are that we
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1 would have a supply contract with the
2 biomethane developer that we would submit to
3 the Board for approval under 248. Presume
4 that it met either the peak-day criteria or
5 the length criteria. And the third would be
6 if we go down the Cow Power path you would
7 have tariffs with the biomethane required on
8 them that would need to be approved. The
9 timing of that is really dependent on the
10 biomethane developer right now.

11 MR. COEN: There is a lot of cow manure
12 in Franklin County. Are you going to be
13 offering the same kind of a tariff up in
14 Franklin and Chittenden Counties and
15 producing some kind of a developer -- and
16 have a developer up there as well?

17 THE WITNESS: We would love to do that.
18 As a matter of fact the very first time we
19 talked to the biomethane developer it was in
20 fact for a Franklin County based farm. He
21 has moved his efforts down to Addison
22 County. But if this works, frankly, you
23 know, we would love to have every cow in
24 Vermont put their output in our pipe. If we
25 could.

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1 MR. YOUNG: Next topic. Energy
2 efficiency. I will try to use less of that
3 gas you're producing.

4 Energy efficiency. My understanding is
5 part of your proposal you're extending the
6 energy efficiency programs to the newly
7 served or the areas that you're proposing to
8 serve; correct?

9 THE WITNESS: Well that's correct. Our
10 objective is to make sure that Addison
11 County customers receive the same level of
12 service with the same quality as Franklin
13 and Chittenden Counties. And offering our
14 energy efficiency programs is a core service
15 offering of Vermont Gas's current Franklin
16 and Chittenden County customer footprint,
17 and we will continue that obligation and
18 service offering in Addison County.

19 MR. YOUNG: Same plans, no changes?

20 THE WITNESS: I can't say that. We are
21 in the middle of the second phase of a Board
22 proceeding, Docket 7676, around becoming a
23 designated Energy Efficiency Utility or an
24 EEU. Part of that will be the need to go
25 through a DRP, a Demand Resource Plan, which
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1 will establish budgets and savings goals for
2 Vermont Gas as it pertains to our energy
3 efficiency programs. And whatever kicks out
4 of that process is what we will be doing.

5 So for now I've held our budgets
6 constant, but what we will actually be doing
7 in terms of energy efficiency will be very
8 much set by the second phase of Docket 7676.

9 MR. YOUNG: I think you anticipated my
10 next question which is about the budgets.
11 Wouldn't you expect to increase the size of
12 the budgets at a minimum to take into
13 account the fact that you're adding
14 customers?

15 THE WITNESS: Well except that we need
16 to recognize that this is a significant
17 expansion in terms of pipe. But there is --
18 the footprint is 3,000 customers. And
19 that's roughly two years of growth for us.
20 So it's not a multitude of new customers.

21 And I mean the great news is since we
22 have been offering energy efficiency
23 programs in our market since '92, that
24 market is really ripe, particularly for the
25 weatherization side of our program.

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1 We have a really high uptake on
2 customers converting to natural gas from
3 fuel oil and propane from participating in
4 our programs particularly in the equipment
5 replacement program. The customer that
6 chooses to replace their heating system with
7 a higher efficiency system can participate
8 in the programs, get a rebate for purchasing
9 a high efficiency system, and then get
10 financing for the rest of it at zero cost.
11 We have a pretty high uptake on that. And
12 then we have this sort of new market to go
13 after in terms of weatherization, an area
14 that's really been historically under
15 served.

16 MR. YOUNG: Well you just jumped on my
17 next question which is exactly that. Since
18 you're moving into -- the Department's made
19 recommendations for more robust energy
20 efficiency programs, and I'll certainly ask
21 Mr. Poor a few questions about that when he
22 gets a chance.

23 But I guess since you're moving into a
24 new area as you described they haven't had a
25 weatherization program available, the same
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1 way that you provide one. Obviously there
2 are weather weatherization programs and
3 there is the open market.

4 THE WITNESS: Sure.

5 MR. YOUNG: Doesn't it make sense to
6 focus more resources as you go in there to
7 take advantage of the opportunities that
8 really in what may be an underserved area?
9 Now I realize I'm presuming that it may be
10 underserved.

11 THE WITNESS: Well I don't know -- I
12 don't want to prejudge the outcome of the
13 DRP process in 7676. I agree with your
14 statement as it pertains to sort of the
15 classic lost opportunity of equipment
16 replacement. And yes, we should get every
17 single person that wants to replace their
18 heating system with a high efficiency one.
19 I would love to get them to participate in
20 our energy efficiency programs. And we are
21 not putting any sort of artificial
22 constraints on the budget or anything like
23 that.

24 I would -- it would be great if they
25 would all participate. The place that I
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1 think we are pausing and saying well what
2 will it look like is the retrofit program
3 and the timing of customers getting audits
4 and weatherizing their homes, and we need to
5 look at -- that's a much bigger commitment
6 for even a customer to do.

7 MR. YOUNG: Okay. Let me let you
8 channel your inner Tim Lyons. And we will
9 move to some of Mr. Lyons' testimony.

10 CHAIRMAN VOLZ: Before we move on to a
11 new line of questioning, why don't we take
12 our afternoon break, and we will resume at
13 3:30. Thank you.

14 (Recess was taken.)

15 CHAIRMAN VOLZ: I guess we would like to
16 get started again if everybody is ready. I
17 have a couple of announcements. We were
18 being asked by the Vermont Housing, is that
19 -- Vermont Land Trust, excuse me, about
20 their witness Miller. None of the parties
21 had questions for him. And they wanted to
22 know if we did, or if he could be excused.
23 And I think we are pretty confident that he
24 could be excused. So I think you can pass
25 that on to Mr. Miller. That would be
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1 helpful.

2 MR. PETERSON: Thank you very much.

3 CHAIRMAN VOLZ: Also considering the
4 hour and some of the other scheduling
5 constraints of various witnesses after Ms.
6 Simollardes is done, we are going to move to
7 Mr. Hammer. And then Mr. Guilford. Your
8 witness.

9 MR. SAUDEK: Yeah. Thank you, Mr.
10 Chairman.

11 CHAIRMAN VOLZ: And then if we still
12 have time, we will resume with Mr. Heintz,
13 but I don't know where we will be by then.

14 Okay. We may go late if it looks like
15 that's a useful thing to do, which we warned
16 people of I think at the beginning in some
17 of our notices, that the stat -- I think at
18 one of the status conferences about this
19 case.

20 But if it's a problem for somebody,
21 depending on which witness we are on, let me
22 know at that time and we can talk about
23 that.

24 MR. BURKE: Assuming the court reporter
25 can go late.

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1 COURT REPORTER: Yes.

2 CHAIRMAN VOLZ: We will resume where we
3 were with Ms. Simollardes. I think it was
4 you, Mr. Young.

5 MR. YOUNG: Yeah. Thank you. And we
6 will go back to -- I'm going to come back to
7 your testimony in a minute, but I want to
8 talk about Mr. Lyons' testimony first.

9 On page five of his testimony, he makes
10 a statement that the expansion represents a
11 12 percent increase in sales. Is that
12 without consideration of the Ticonderoga
13 expansion?

14 THE WITNESS: Correct.

15 MR. YOUNG: So you're expecting --

16 THE WITNESS: The increase including
17 Ticonderoga is on line 19 of that same page.

18 MR. YOUNG: Right. And including
19 Ticonderoga it's a much bigger increase in
20 sales.

21 THE WITNESS: Correct.

22 MR. YOUNG: I guess I'm curious because
23 a few minutes ago you said the growth you
24 were expecting was about equal to, you know,
25 a couple years' worth of increase in your
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1 peak day, but now you're talking 12 percent
2 -- did I miss something?

3 THE WITNESS: I think you misunderstood
4 my statement, respectfully. I said 3,000
5 customers was about equal to two years of
6 growth in the number of customers.

7 MR. YOUNG: Okay.

8 THE WITNESS: Not load.

9 MR. YOUNG: Because you have the large
10 industrial customers there.

11 THE WITNESS: Correct.

12 MR. YOUNG: Okay. I was just trying to
13 reconcile. Does the expansion require you--
14 VGS to purchase additional capacity on
15 TransCanada Pipeline or whatever their
16 present name is?

17 THE WITNESS: It is TransCanada
18 Pipelines. We have actually already signed
19 up for incremental capacity on the
20 TransCanada line, specifically more short-
21 haul capacity from Parkway to Philipsburg.
22 And we did so with the expectation that if
23 this project is not approved, we have some
24 long-haul capacity from Empress to
25 Philipsburg. That's on year-to-year

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1 renewal, and we could let that slide.

2 So we did in fact acquire incremental
3 capacity, but it hasn't locked us into
4 thinking anything because we have a piece of
5 capacity that's very flexible on year-to-
6 year renewal.

7 MR. YOUNG: When you were doing your
8 cost models on the cost of the project did
9 you include the incremental cost associated
10 with the greater capacity on TCPL?

11 THE WITNESS: Actually the incremental
12 capacity on TCPL is actually lower cost than
13 our existing capacity on TCPL. How we
14 modeled this is we assumed that the
15 customers in Addison County would pay the
16 same weighted average cost of gas or WACOG
17 that our existing customers would pay.

18 In fact, the Addison County customers if
19 we were to look at the overall load profile
20 and/or allocate them, the short-haul piece,
21 the overall cost of gas may be slightly less
22 than our existing market, but we are not
23 planning on having zoned rates. It's sort
24 of all in postage stamp rates.

25 So I think the assumption for economic
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1 modeling purposes that the WACOG for Addison
2 County is the same as the WACOG for
3 Chittenden County was reasonable.

4 MR. YOUNG: Okay. So you just built it
5 into your cost of gas as opposed to --

6 THE WITNESS: Correct.

7 MR. YOUNG: -- to a capital charge or a
8 capacity charge.

9 THE WITNESS: Correct.

10 MR. YOUNG: Okay. Several questions
11 about the agreement with IP. The testimony
12 states that the FDA requires a hundred
13 percent recovery of the IP lateral costs and
14 50 percent of the Addison upgrade; is that
15 correct?

16 THE WITNESS: Correct.

17 MR. YOUNG: That's I believe on page 15.

18 THE WITNESS: That is -- actually I'm
19 sorry. Can you point me to the reference?

20 MR. YOUNG: I believe that's on page 15
21 of the testimony.

22 CHAIRMAN VOLZ: Mr. Lyons' testimony?

23 MR. YOUNG: Mr. Lyons' testimony.
24 Starting at line two.

25 THE WITNESS: And the agreements with
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1 International Paper, there is actually two.
2 There is a facilities development agreement
3 and a service agreement. For the service
4 agreement they are expected to purchase
5 natural gas from Vermont Gas under a Board
6 approved tariff. What the sentence on line
7 two means is that the facilities development
8 agreement provides for recovery of one
9 hundred percent of the lateral cost and 50
10 percent of the Addison upgrade and Addison
11 extension cost.

12 If IP takes service from Vermont Gas for
13 the duration of those agreements, IP will
14 cover one hundred percent of all of the
15 costs associated with the IP lateral, the
16 Addison upgrade and the Addison extension
17 costs, by virtue of the distribution
18 component of the tariff that they will take
19 service on for interruptible gas sales.

20 MR. YOUNG: Okay. Is the service
21 agreement transportation charge the vehicle
22 for recovering all of the costs that IP is
23 going to be paying, or is there an up front
24 component?

25 THE WITNESS: The facilities development
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1 agreement is the vehicle for recovering one
2 hundred percent of the IP lateral costs and
3 50 percent of the Addison upgrade and
4 Addison extension costs. And it is a
5 monthly charge that declines over time as
6 the value of that plant is depreciated.

7 MR. YOUNG: And that is something that
8 IP would be required to pay if it takes
9 service irrespective of whether it exercises
10 its right to cancel under the service
11 agreement; is that correct?

12 THE WITNESS: Sort of. The way the deal
13 is structured is if IP terminates service,
14 they are responsible for one hundred percent
15 of the lateral costs. The IP lateral.

16 MR. YOUNG: Right.

17 THE WITNESS: And if they terminate
18 service or terminate the contract before
19 service begins, they are responsible for 50
20 percent of the development costs of the
21 Addison extension, and Vermont Gas is
22 responsible for the Addison upgrade.

23 The amount of -- the amount of the
24 facilities cost that they are responsible
25 for for termination of service after service
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1 begins, depends on when it terminates. But
2 in all cases they are responsible for one
3 hundred percent of the IP lateral costs.

4 MR. YOUNG: But well what I'm trying to
5 get at is as I look here starting at line
6 eight, the floor for the Addison upgrade and
7 the Addison extension cost is only about 25
8 percent; is that correct?

9 THE WITNESS: If they terminate early.
10 Correct.

11 MR. YOUNG: So if they terminated after
12 10 years it's probably above 25 percent, but
13 it could be relatively low.

14 THE WITNESS: Right. If they utilize
15 gas service for the life of the FDA
16 agreement, even if they didn't use a
17 molecule of gas, but the gas meter's there,
18 and for some reason, you know, the contract
19 has not been terminated, they will have paid
20 for one hundred percent of the IP lateral
21 cost and 50 percent of the Addison upgrade
22 and Addison extension cost.

23 MR. YOUNG: And the Addison upgrade and
24 the Addison extension costs are
25 approximately what, 20 million dollars; is
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1 that correct?

2 THE WITNESS: No. Actually hang on.

3 Let me not guess. I'll just double check

4 that. What the Addison extension and

5 Addison upgrade costs will be will depend on

6 the actual cost of the project as installed.

7 For planning purposes, in this document, the

8 Addison upgrade is 20 million dollars and

9 the Addison extension 24 million dollars.

10 And that can be seen on Exhibit TSL-9, and I

11 need to point out that that map for TSL-9 is

12 not a routing map. It's a cost allocation

13 map that's designed to show the different

14 buckets of cost recovery that International

15 Paper would be responsible for.

16 It is not a routing map of where the

17 subsequent phase of this project will be

18 constructed.

19 MR. YOUNG: The result of that is if

20 International Paper takes service and

21 cancels within a short period for whatever

22 reason --

23 THE WITNESS: For whatever reason.

24 MR. YOUNG: -- then the potential exists

25 for VGS ratepayers to be on the hook for
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1 recovering a lot of the costs of the Addison
2 upgrade and Addison extension; correct?

3 THE WITNESS: Are you -- is this a
4 scenario where the project has been built
5 and then IP cancels?

6 MR. YOUNG: IP takes service and then
7 cancels; correct.

8 THE WITNESS: Yes. Then the remaining
9 share of the Addison upgrade and Addison
10 extension would be borne by Vermont
11 customers. But as I explained in my
12 testimony, we think that that is appropriate
13 because the facilities required in the
14 Addison upgrade and the Addison extension
15 would also be necessary for our service to
16 Rutland. Both of those there is nothing
17 about the Addison upgrade or Addison
18 extension that would not also be used for
19 Rutland.

20 So even if IP's contribution is just the
21 25 percent, not the one hundred percent that
22 we are anticipating, as I sit here today I
23 have no reason to believe that International
24 Paper is not -- is going to pay for one
25 hundred percent of this.

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1 They have a contract. There is benefit
2 to the contract for them, but even if in a
3 scenario where they don't and they
4 terminate, at worst, at worse, Vermont
5 customers are better off because
6 International Paper will have paid for 25
7 percent of the facilities that we need to
8 serve Rutland. I'm sorry, 25 percent of the
9 -- of these facilities that we need to serve
10 Rutland.

11 There is still pipe that we need to get
12 further south that IP is not paying for.

13 MR. YOUNG: Right. Okay. I want to
14 turn next to financial, a couple financial
15 questions.

16 THE WITNESS: Am I back to me, or am I
17 still Tim?

18 MR. YOUNG: I think you're you.

19 THE WITNESS: Okay.

20 MR. YOUNG: It's actually not in your
21 testimony though. It's in what we discussed
22 this morning, and I believe it was marked as
23 Board 1, or was going to be marked as Board
24 1. And you had kindly offered to get a
25 copy, you or one of your representatives.
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1 And this is the document that I think I
2 mentioned it to all the other parties, and
3 everybody is aware of it. This was
4 distributed last Thursday in response to
5 Board questions. You're familiar with this?

6 THE WITNESS: Yes.

7 CHAIRMAN VOLZ: Can you identify more
8 carefully than that, more specifically than
9 that?

10 MR. YOUNG: Letter from VGS to Mrs.
11 Hudson dated September 12.

12 THE WITNESS: And we did copy the full
13 service list with that filing.

14 MR. YOUNG: I want to focus first on --
15 just to understand the analysis that you
16 did. And I think it's worth looking at page
17 two.

18 As I understand it, after 10 years your
19 estimation is that the incremental revenues
20 associated with the project are not yet
21 covering their carrying costs; is that
22 correct?

23 THE WITNESS: That's correct.

24 MR. YOUNG: But that they would exceed
25 their carrying costs after 20 years; is that
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1 correct?

2 THE WITNESS: I just want to double
3 check. I can't -- I want to make sure I
4 don't get my scenarios mixed up here. So in
5 the scenario with International Paper by
6 year 20, yes, the revenues from the new
7 markets are covering their carrying costs,
8 including after you net out the contribution
9 for International Paper.

10 MR. YOUNG: And if I look at this, if
11 I'm reading this right, and you can tell me
12 why I'm not, it looks like somewhere between
13 your '14 and '15 under that scenario is the
14 crossover point.

15 THE WITNESS: That's exactly right.
16 That's exactly right.

17 MR. YOUNG: And without International
18 Paper, and by without International Paper
19 let me just clarify, you mean without
20 International Paper at all, not taking
21 service and not cancelling.

22 THE WITNESS: At all. That's right.

23 MR. YOUNG: And if I take a look at your
24 chart here it looks like actually at 20
25 years you're just about to break even but
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1 still not there.

2 THE WITNESS: Right. I just realized
3 this only goes to 18. It doesn't go to year
4 20. I suspect we might be just there at
5 year 20. It looks like it's declining
6 500,000 or so a year. Maybe year 20 would
7 be a breakeven, but the last year of the
8 fund is what's on here, and the revenues are
9 not yet covering the cost of service for
10 that market.

11 MR. YOUNG: Okay. The return I'm
12 looking at appears to go to year 20. But
13 this is Exhibit 1-1.1. Am I looking at the
14 right one?

15 THE WITNESS: You are. I was looking at
16 a different page of it. The back page the
17 use of the fund doesn't go to year 20.
18 You're right, it does.

19 MR. YOUNG: It looks like at year 20
20 you're close but still not under.

21 THE WITNESS: That's right.

22 MR. YOUNG: Typically -- now this
23 comparison is comparing incremental revenues
24 to carrying costs; correct?

25 THE WITNESS: No. It's comparing
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1 incremental revenues to the total cost of
2 service including carrying cost, so it
3 includes gas costs, it includes some amount
4 of administrative expenses, but the bulk of
5 it is carrying cost, yes.

6 MR. YOUNG: And you once again tripped
7 me up on my imprecise language. That's what
8 I intended to say but didn't.

9 THE WITNESS: Sorry.

10 MR. YOUNG: No, we have a long history
11 of you correcting me, and unfortunately not
12 without good cause.

13 Okay. So when you typically look at
14 line extensions, and by you obviously I mean
15 VGS, is that the analysis you often do which
16 is comparing the incremental revenues to the
17 -- essentially the annual cost of service
18 associated with the incremental facilities?

19 THE WITNESS: We actually do something
20 very similar but on a shorter time horizon.
21 Mr. Gilbert started to speak to that this
22 morning. When we do a line extension review
23 or a system footprint review, we do a cost
24 of service. Actually we normally exclude
25 gas costs on the argument that the
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1 incremental cost, but I feel like in this
2 case since there was so much around sort of
3 the energy savings, it was better to have
4 the gas cost component of it contained
5 within the model.

6 But normally if we are looking at an
7 Enosburg or a Richmond, we do a cost of
8 service excluding gas costs. We look at it
9 over a 10-year basis, and we see whether or
10 not the revenues from the new market will
11 cover the cost of service on a net present
12 value 10-year basis. We do not require that
13 the revenues on a 10-year net present value
14 basis meet or exceed the incremental cost.

15 What we do is we look at everything on a
16 blended basis, and what we are trying to
17 assure is that our investments in a given
18 year in aggregate meet or exceed the
19 authorized rate of return to avoid upward
20 pressure on rates. So the concept is the
21 same, the time line is different.

22 This is a 20-year model, and we have
23 historically been using 10-year models.

24 MR. YOUNG: So your last statement was a
25 reference to avoid upward pressure on rates.
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1 So has your criteria traditionally on line
2 extensions really been avoiding upward
3 pressure on rates?

4 THE WITNESS: It's been a balance act
5 between the desire to expand gas service to
6 incremental markets to bring the benefits of
7 natural gas lower prices, economic
8 development, environmental attributes, et
9 cetera, to -- so we are balancing the need
10 of potentially new customers with the needs
11 of our existing customers to still pay
12 attention to burner tip price competition.
13 And so we won't, you know, run our line up
14 the top of a mountain or other places.

15 So we have always tried to balance
16 growth potential with existing market
17 potential. And this project was really a
18 step outside of that. And that was driven
19 as much by the need to construct 41 miles of
20 transmission spine as anything else. I said
21 this earlier; if Vergennes and Middlebury
22 were located in Chittenden or Franklin
23 County, that standard of the distribution
24 mains within our market -- it would have
25 passed that traditional screening.

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1 MR. YOUNG: Right. Assuming you could
2 air lift the gas there which is --

3 THE WITNESS: Right.

4 MR. YOUNG: -- which is the increment.
5 Your facilities that you're putting in
6 place, typically, you know, your analysis is
7 20 years, you have the ability to serve gas,
8 40, 50 years with these facilities, correct?

9 THE WITNESS: Correct.

10 MR. YOUNG: So is it reasonable to say,
11 and I'll look at your 1-1.2 scenario, after
12 15 years you're actually getting
13 contribution from these customers which over
14 the life of the project probably produces --
15 should produce a net plus. Or is likely to.

16 THE WITNESS: If you're talking about
17 over the economic life of the pipe, I
18 suspect that is true. I haven't net present
19 valued it beyond the 20 years. But there is
20 an -- and by the way the carrying costs in
21 these exhibits were all predicated on a
22 55-year depreciation rate. These facilities
23 were not depreciated over 20 years for the
24 purpose of this analysis. We matched more
25 closely what we expect would happen from a
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1 rate perspective.

2 There is a couple of conservative
3 assumptions in these exhibits. One is we
4 use the existing footprint. We made no
5 assumptions about underlying economic growth
6 in that market. So if there were 3,000
7 customers there today, this analysis is done
8 on 3,000 customers. We didn't say gas is
9 going to be the next best thing since sliced
10 bread, and those counties are going to grow
11 gangbusters, in spite of the fact we have
12 heard some testimony about that. It's
13 always based on the existing footprint so
14 there was no underlying growth.

15 The other thing we did is we used a
16 fairly conservative saturation rate as
17 compared to our experience in our new
18 markets. I believe I started with a 40-
19 percent saturation rate in year one, and it
20 doesn't reach 60 percent until year five.
21 But this year in Richmond we were at 58
22 percent after one year. So there are other
23 things that could move these economics for
24 us or against us.

25 The project could cost more and that
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1 would put a squeeze. Customers could use
2 more or less. The saturation could be
3 better. There is things that could move it.

4 MR. YOUNG: I understand lots of
5 variables; your energy efficiency programs
6 could produce more ability for benefits.

7 THE WITNESS: That's right, that's
8 right.

9 MR. YOUNG: The effect of this seems to
10 be that over the long-term, and I'll use the
11 .2 examples, because that includes the
12 revenues from International Paper. Over the
13 long term your revenues exceed your costs,
14 but over the short term you have essentially
15 existing ratepayers of VGS paying a higher
16 cost that again if they stay in the house 40
17 years they get back, are expected to get
18 back, but they don't over the next 10 years.
19 Why is that okay?

20 THE WITNESS: I think this was one of
21 the issues that the Board addressed in
22 approving the System Expansion Reliability
23 Fund. As we sit here right now with
24 International Paper, we are not anticipating
25 any additional rate impact from our existing
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1 customers even over the short term. We
2 would instead use a System Expansion
3 Reliability Fund to mitigate that rate
4 impact. And as we explained in the fund
5 Docket, we think it's okay for a couple of
6 reasons.

7 One is in a rural state that's how
8 infrastructure gets done. There is other
9 examples besides pipe where the expansion of
10 infrastructure has been done sort of on an
11 across-the-board basis whether it was as Mr.
12 Gilbert mentioned, the Rural Electrification
13 Act, or it's the highways that we all pay
14 for, or it's our broadband, infrastructure
15 tends to be spread across a broader pool.

16 Then there is the issue of that existing
17 customers will benefit from this. Maybe not
18 in the form of rates, but we know that the
19 construction of the Williston gate station
20 provides additional reliability for existing
21 customers. Mr. Teixeira can speak to that,
22 not me. We know that in a small state the
23 economic fortunes of different counties are
24 closely linked, so if Addison County has the
25 economic benefit here that we are expecting,
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1 that will benefit Chittenden County. We
2 know that the greenhouse gas emissions at
3 the burner tip don't stop at the county
4 line. And we have been pretty clear that
5 long term we would really like to
6 interconnect to the U.S. pipeline system so
7 that we have choices about supply. And that
8 would clearly benefit our existing
9 customers.

10 CHAIRMAN VOLZ: Can I just follow up on
11 that?

12 MR. YOUNG: Go ahead.

13 CHAIRMAN VOLZ: Are there other benefits
14 -- are there benefits to the existing
15 Vermont Gas customers that will accrue to
16 them over time if Vermont Gas gets bigger
17 and bigger? In other words, are there
18 economies of scale by having Vermont Gas
19 have many more customers than they have
20 today that in the long run will accrue to
21 the benefit of the remaining customers, or
22 have you already covered all of that?

23 THE WITNESS: I mean just intuitively, I
24 think there is some benefits that come with
25 size, some economies of scale. I'm
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1 reluctant to just say yes and stop there,
2 because I don't know that I could give you a
3 laundry list of what those might be. But
4 it's intuitive to me that there would be
5 some. And some of them may be indirect.

6 You know, if we are a larger company, do
7 you have access to different lenders that
8 are more excited about you because you're a
9 bigger company. If you're buying more gas
10 do you have more people that might want to
11 talk to you. I think it would be difficult
12 to quantify some of those, but intuitively I
13 think there would be some benefits of
14 economy of scale.

15 CHAIRMAN VOLZ: Thank you.

16 MR. YOUNG: I'm actually going to switch
17 topics, and we will go back to where you
18 started the day which is a couple siting
19 issues.

20 First you mentioned in talking about the
21 Palmer property, you were talking about the
22 option that had been turned up recently of
23 doing a short-distance bore; is that
24 correct?

25 THE WITNESS: Yes, a horizontal
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directional drill along the Palmer property.

MR. YOUNG: VGS isn't proposing that yet though, are you?

THE WITNESS: The construction plans that we filed in our 6/28 alignment do not reflect a horizontal directional drill in that area.

MR. YOUNG: Okay. So as of right now the request is still to approve the project consistent with the plans filed in June?

THE WITNESS: Yes, but I can say that we would be amenable to horizontally directional drilling that area.

MR. YOUNG: Okay. And for the next -- I'm going to turn it over to Mr. Coen to follow up.

MR. COEN: You know, I'm glad that you recognize that at least one Board member was not happy with what he saw at the Palmer property on the site visit, and you came today with some options for the Board to consider.

I don't see any options regarding Old Stage Road and the Hurlburt property. Where we barrelled down past all the trees you

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1 were going to cut down. And have you had an
2 opportunity to address that? I brought that
3 up on the site visit as well.

4 THE WITNESS: Yes, we were out -- I want
5 to say we, Vermont Gas, it was not me, but
6 we went out with Mr. Hurlburt on Old Stage
7 Road. Right now we are on the eastern side
8 of Old Stage Road. And we had a
9 conversation this morning about how we are
10 only on the western side of the VELCO
11 corridor except for there were two small
12 locations in Williston.

13 Last week VELCO approached us and said
14 in that one location on Old Stage they would
15 be amenable to us moving to the eastern side
16 of their right of way there. So we have
17 looked at that route with Mr. Hurlburt, and
18 it may be possible to move just past -- I
19 don't have -- I should have a map. I don't
20 have a picture of that.

21 MR. COEN: We have the map here for you.

22 THE WITNESS: The natural resources map
23 would be JAN 2 I think it is.

24 MS. HAYDEN: Mr. Coen, because the
25 Board's raised this this morning -- because
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1 the Board raised this this morning, we did
2 have a natural resource map prepared that
3 would show what Ms. Simollardes is
4 explaining. It was just brought in a little
5 after lunch.

6 I had planned to have Mr. Heintz walk
7 through that. It hasn't been marked, but I
8 can certainly mark it quickly and provide
9 that to the Board members and others here.
10 The only concern --

11 MR. COEN: Go ahead.

12 MS. HAYDEN: The only concern I have is
13 I'm not sure there is enough copies for
14 everybody here.

15 MR. COEN: Why don't we -- if I could
16 just have a general description from Ms.
17 Simollardes, and then we can defer the rest
18 to Mr. Heintz. That will be fine.

19 MS. HAYDEN: Okay.

20 THE WITNESS: It does appear it would be
21 possible to move to the other side of Old
22 Stage Road, on the eastern side of the VELCO
23 corridor, right around I believe mile post
24 29, which is not the full duration that Mr.
25 Hurlburt was looking for. But it is a
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1 component of it.

2 We would either be within the VELCO
3 right of way or right on the road there. I
4 believe those -- if you're looking at the
5 natural resources sheet -- it's sheets 25
6 and 26.

7 MR. COEN: Did you come up with any
8 other options with Mr. Hurlburt in your
9 discussion?

10 THE WITNESS: No, we did not. Actually
11 I'm sorry. I am not aware that we did. I
12 would suggest you ask Mr. Heintz that
13 question as well, but I'm not aware of any
14 others.

15 MR. COEN: Thank you.

16 MR. YOUNG: Okay. Well I think I'll
17 save the other questions on this for Mr.
18 Heintz. Is that going to be better?

19 THE WITNESS: I think it would be.

20 MR. YOUNG: Okay, we will save those for
21 tomorrow.

22 And one other question. We also have
23 one other intervener who I hadn't asked
24 about, Mr. Baldwin had filed testimony about
25 the -- raising concerns about the access
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1 road that was being constructed across his
2 property. Do you recall that?

3 THE WITNESS: I do.

4 MR. YOUNG: Has VGS proposed anything to
5 accommodate Mr. Baldwin's concerns, or is
6 that pretty much something that's necessary?

7 THE WITNESS: No, we have. We have been
8 out with as a matter of fact today, and over
9 the last couple of weeks the right of way
10 agents have been meeting with -- there were
11 two Mr. Baldwins. I believe it was Matt
12 Baldwin that filed testimony in this case,
13 and it's Matt Baldwin that the right of way
14 agents have been working with.

15 I believe his concerns relative to the
16 access road have been addressed, and we are
17 discussing easement terms with him. He's
18 one of the landowners that would have an
19 easement -- the form of the easement that's
20 attached to the settlement with the
21 agricultural group.

22 MR. YOUNG: Which is why we had a couple
23 questions for the Vermont Housing and
24 Conservation Board.

25 THE WITNESS: Okay.
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MR. YOUNG: So as far as you know those issues are now largely resolved for Mr. Baldwin.

THE WITNESS: I don't know that all of Mr. Baldwin's issues are resolved. I believe the issue relative to the access road is resolved, and we are having productive conversations about the terms of the easement.

MR. COEN: The easement across Mr. Baldwin's property, does it follow the VELCO line completely, or is there a deviation from there? That's what I was told when I asked the question of Mr. Pughe.

THE WITNESS: I'm going to defer that question to Mr. Heintz. I don't remember off the top of my head.

MR. COEN: I asked that question on the bus, and I was told it did. But I want to verify it under oath here.

THE WITNESS: Then we should have -- I don't have the map.

MR. COEN: I will talk to Mr. Heintz.

THE WITNESS: That would be good. Thank you.

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1 MR. DUDLEY: Good afternoon, Ms.
2 Simollardes.

3 THE WITNESS: Good afternoon.

4 MR. DUDLEY: I just wanted to jump back
5 for a moment and ask you a couple of
6 clarifying questions. On a conversation you
7 just had with Mr. Young concerning your
8 response of September 12 which is now Board
9 Exhibit 1.

10 THE WITNESS: Yes.

11 MR. DUDLEY: Do you still have that?

12 THE WITNESS: I do.

13 MR. DUDLEY: I'm also going to make
14 brief reference to one of your exhibits from
15 your December prefiled testimony, and that's
16 Exhibit EMS-2.

17 THE WITNESS: Yes.

18 MR. DUDLEY: Now just so I understand
19 what your projections in attachment 1-1.1
20 and 1-1.2 represent, 1-1.1 represents your
21 revenue requirement without the inclusion of
22 International Paper; is that correct?

23 THE WITNESS: Correct.

24 MR. DUDLEY: And 1-1.2 is with
25 International Paper?
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1 THE WITNESS: It's with International
2 Paper, but with the facilities development
3 agreement prorated to reflect only that
4 component of the facilities development
5 agreement that's related to the 20 million
6 dollar Addison upgrade as opposed to Exhibit
7 EMS-2, the estimated fund withdrawals there
8 which assumes International Paper but all
9 in. All of the facilities necessary to
10 construct and serve International Paper.

11 MR. DUDLEY: Okay. Now one of the
12 clarifications I'm seeking is well first of
13 all, each of these attachments depict two
14 different scenarios; one with subsidy and
15 one without; correct?

16 THE WITNESS: And subsidy, I was
17 thinking about that last night as I was
18 reviewing these.

19 MR. DUDLEY: Is that the expansion fund?

20 THE WITNESS: No. It's a poor choice of
21 words. The first part of this on each
22 exhibit where it says income including
23 subsidy. That's saying if the existing
24 market generated revenues, how much -- how
25 much -- adequate to cover the cost of this
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1 project, how much would that be. Maybe that
2 should say including rate impact and
3 existing market.

4 The fund doesn't play into the first two
5 pages of either of these exhibits. This is
6 simply looking at the Vergennes and
7 Middlebury markets, and the facility cost,
8 and the top says how much revenue would we
9 have to get from those markets to cover it.

10 The next chunk down says how much
11 revenue are we getting from those markets to
12 cover it.

13 And the next one down is okay, what's
14 the rate impact which is sort of the
15 difference between one and two.

16 MR. DUDLEY: Okay. Thank you for that.
17 Now as I look at the first section including
18 subsidy, on both 1.1 and 1.2, and you had a
19 discussion with Mr. Young just a little
20 while ago about the revenue impact of
21 International Paper. It appears that your
22 net profit margin -- it appears that there
23 is no effect on your net profit margin or
24 your operating cash flow, whether

25 International Paper is part of the picture
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1 or not. And can you help me with that?

2 THE WITNESS: Yup.

3 MR. DUDLEY: In other words, the trend
4 lines of both net profit and operating cash
5 flow appear to be the same.

6 THE WITNESS: That's right. Since that
7 top bucket, that top chunk is basically the
8 cost of service required for those
9 facilities, and we are really not changing
10 the cost of the facilities with or without
11 International Paper, both of these were done
12 with the same facilities cost. Then the
13 carrying costs or the total cost of service
14 with and without International Paper is
15 negligible.

16 One place that you can see a big
17 difference though, look at the line that
18 says purchase gas expense. You'll see in
19 the scenario with International Paper the
20 purchase gas expense is significantly higher
21 than the scenario without International
22 Paper. But purchased gas expense basically
23 comes in and goes out. We incur it and we
24 charge our customers for it. Leaving what's
25 left is really the cost of service non-gas
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1 expense, which is why there is not a
2 material difference between those two
3 scenarios.

4 MR. DUDLEY: But I'm assuming that
5 you're not selling gas to International
6 Paper breakeven. I mean you are maintaining
7 a profit margin.

8 THE WITNESS: No. We are selling gas to
9 International Paper at -- for the actual gas
10 component of it, the same as all of our
11 customers. The cost of gas itself is a pass
12 through. We don't make any revenue on the
13 cost of gas.

14 The net income is generated on the
15 investment in plant which is why the net
16 income line in both of these is very, very
17 close to each other.

18 MR. DUDLEY: Okay. Thank you. Jumping
19 for a moment to the expansion fund. I'm
20 having a little trouble reconciling the
21 amount of the withdrawals that you depict in
22 your Exhibit EMS-2 --

23 THE WITNESS: Yes.

24 MR. DUDLEY: -- with what you depict in
25 the last couple of pages of attachment 1.1
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1 and 1.2. It seems that the withdrawals that
2 you depict from the expansion fund are quite
3 a bit greater in the EMS-2 than what you
4 depict in the attachments. I was just
5 wondering what I'm missing there.

6 THE WITNESS: Let me double check
7 something please.

8 MR. DUDLEY: In other words, if I look
9 on 1.2 it appears in 2015 and 2016 you have
10 withdrawal amounts of 4.8 and 4.7 million.
11 And then if I look on to EMS-2 it appears
12 that you have an initial withdrawal amount
13 of 12 million. And then in --

14 THE WITNESS: I'm sorry. Can you point
15 me to those? I think I got my exhibits
16 mixed up. Can you point me to your
17 references again please?

18 I'm sorry. I'm going to get my glasses.
19 I'm having a hard time reading this.

20 MR. DUDLEY: The print's pretty fine.

21 THE WITNESS: Okay.

22 MR. DUDLEY: So I'm looking at the last
23 three pages where -- you identify the last
24 three pages of each attachment as fund's
25 use. And I'm looking at the one for 1.2.
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1 Attachment 1.2.

2 THE WITNESS: Correct.

3 MR. DUDLEY: And it appears in year 2015
4 you have a withdrawal of 4.8 million, just
5 above the blue line, if I'm reading that
6 correctly. And 2016 withdrawal.

7 THE WITNESS: No. The withdrawal is the
8 shortfall of 12,287. The negatives are the
9 withdrawals. So they are not identical to
10 EMS-2, but they are very close to EMS-2.

11 MR. DUDLEY: Right. Okay. Now the
12 revenue requirement -- part of your revenue
13 requirement is a return on investment;
14 correct?

15 THE WITNESS: Correct.

16 MR. DUDLEY: And I know Ms. Porter in a
17 prior conversation with you referenced
18 Docket 77 --

19 THE WITNESS: I'm sorry.

20 MR. DUDLEY: In a prior conversation
21 with Ms. Porter there was some discussion
22 regarding the expansion fund Docket; Docket
23 Number 7712.

24 THE WITNESS: Yes.

25 MR. DUDLEY: Okay. And I don't know if
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1 you recall or not, you probably don't
2 recall, but you and I in that Docket -- you
3 and I had a brief discussion regarding
4 dividend payments.

5 THE WITNESS: Correct. Actually I do
6 remember that.

7 MR. DUDLEY: Now Vermont Gas is a
8 wholly-owned subsidiary of Gaz Metro;
9 correct?

10 THE WITNESS: Correct.

11 MR. DUDLEY: Vermont Gas is not publicly
12 traded, but it pays dividends and it pays
13 dividends to Gaz Met.

14 THE WITNESS: It pays dividends to
15 northern New England. It actually does not
16 pay dividends to Gaz Metro. To my knowledge
17 no dividends have left the state since 1993
18 subject to check. The dividends stay at
19 northern New England and have been
20 reinvested in the state.

21 MR. DUDLEY: In that holding company.

22 THE WITNESS: In that holding company;
23 correct. As it pertains to Vermont Gas.

24 MR. DUDLEY: Thank you. And I believe,
25 and correct me if I am wrong, but in our
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1 discussion in Docket 7712 we talked about
2 the level of payout over the last several
3 years, and I believe that we estimated a
4 figure of 80 percent of net income.

5 Is that about right? Do you recall
6 that?

7 THE WITNESS: It was in that range.
8 Yes.

9 MR. DUDLEY: Okay. Now given that the
10 project, the Addison pipeline project will
11 not be able to meet its carrying costs,
12 revenues will not be sufficient to meet its
13 carrying costs up until I believe you spoke
14 with Mr. Young, year 19 or year 20; is that
15 right?

16 THE WITNESS: Depending on the scenario.

17 MR. DUDLEY: Depending on the scenario.
18 Correct. Does Vermont Gas plan on
19 continuing that same level of dividend
20 payout?

21 THE WITNESS: I think as I testified in
22 that proceeding we actually are going to
23 require an equity infusion from Gaz Metro
24 for -- to fund this project and to fund the
25 subsequent phase.

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1 I do not have the actual -- the level of
2 equity infusion in front of me. I believe
3 that is in Mr. Keefe's testimony in a
4 pending 108 proceeding, or I could check
5 that and get back to the Board.

6 So I testified then and I will say the
7 same here, that no, we do not expect that
8 same level of dividend payout, at least in
9 the near term as it pertains to this
10 project. We are going to need -- on the
11 contrary rather than a dividend payout we
12 are going to need an equity infusion from
13 Gaz Metro for this project. I do think,
14 however, that dividend payout is a different
15 financial analysis than whether or not a
16 company is or a certain market is covering
17 its carrying costs. You're looking at
18 different financial metrics in that case.

19 MR. DUDLEY: So you're telling me that
20 that has no impact.

21 THE WITNESS: No, I didn't say it had no
22 impact. But I think it would be possible,
23 speaking hypothetically, not specifically to
24 this project, that you could have a market
25 that is not covering its carrying costs, and
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1 you could have -- still have adequate cash
2 for a dividend payout.

3 I just -- I don't think they are
4 synonymous is my only point.

5 MR. DUDLEY: And given the smoothing
6 dynamic of the extension fund, expansion
7 fund, there is no chance of those funds
8 being used to subsidize any type of dividend
9 payment.

10 THE WITNESS: No.

11 MR. DUDLEY: Okay. Thank you. That's
12 all I have.

13 MR. BURKE: Not to revisit 7712 too many
14 times, you know, on a three-person Board
15 dissent means that you couldn't get anybody
16 else to agree with you. That's how that is
17 defined. But one thing we did agree on you
18 mentioned in your answers to Ms. Porter,
19 that it was based on the fact that there had
20 been, I think it was eight if my memory
21 serves me, eight out of nine I think of the
22 adjustments had all been positive for
23 ratepayers, and that was part of the
24 rationale; is that correct?

25 THE WITNESS: It was -- we were being,
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1 for lack of a better word, we were being
2 opportunistic as it pertained to the
3 direction our rates were heading, and yes,
4 we felt it was more palatable to forego a
5 rate reduction than to have a rate increase
6 at some point in the future.

7 MR. BURKE: The basis for that reduction
8 and the reductions before that though was
9 because of the alt. reg. mechanism and the
10 alt. reg. methodology; is that correct?

11 THE WITNESS: I actually don't agree
12 with that characterization. The basis for
13 the reduction was declines in the wholesale
14 market. The Alternative Regulation Plan was
15 a very efficient vehicle to pass those rate
16 reductions on to customers. So I'm not sure
17 it's a cause and effect.

18 I agree with the Alternative Regulation
19 Plan really enabled those reductions to
20 happen in the manner they did. But the
21 actual reductions themselves were driven by
22 decreases in the wholesale price of gas.

23 MR. BURKE: Okay. The wholesale price
24 of gas drove it, but the alt. reg. plan was
25 the methodology to put it in place; is that
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1 right?

2 THE WITNESS: I completely agree with
3 that statement.

4 MR. BURKE: And the alt. reg. plan was
5 not foisted on the company, is that true?

6 THE WITNESS: That's true.

7 MR. BURKE: In fact, the alt. reg. plan
8 was a plan that the company brought to this
9 Board and the Department and asked for
10 approval of, is that true?

11 THE WITNESS: That's also true.

12 MR. BURKE: No further questions.

13 MR. YOUNG: One final thing. I just
14 propose that we admit exhibit Board-1.

15 CHAIRMAN VOLZ: Any objection?

16 MS. HAYDEN: No objection.

17 CHAIRMAN VOLZ: It's admitted.

18 (Exhibit Board-1 was
19 admitted into the record.)

20 MR. VOLZ: Are there any follow-up
21 questions to our questions for Ms.

22 Simollardes? Go ahead, Ms. Levine.

23 CROSS EXAMINATION

24 BY MS. LEVINE:

25 Q. Hello again.
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1 A. Hello.

2 Q. Just three areas. First is to follow up on
3 Board's questions regarding using the VELCO right of way.

4 A. Yes.

5 Q. I just want to confirm that Vermont Gas would
6 be willing to use the VELCO right of way if it became
7 available?

8 A. I can't make a blanket statement because the
9 VELCO right of way has different construction features in
10 different places. We don't want to be in the VELCO right
11 of way if it's in the middle of a ravine or some other,
12 all things being equal, if there were two identically
13 situated parcels of land, as it pertains to natural
14 resources and archeology and constructability and one was
15 in the VELCO corridor and one wasn't in the VELCO
16 corridor, then yes, we would be more than willing to be in
17 the VELCO corridor.

18 Q. And the second area concerns the questions
19 regarding the opportunity to use biomethane. Do you have
20 those questions and responses in mind?

21 A. I do.

22 Q. Do you know what the volume of biomethane that
23 would be available would be?

24 A. I am confident I have it with me somewhere. I
25 do not remember it off the top of my head.

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1 Q. Orders of magnitudes it's quite small.

2 A. It's one farm. One production. I would be
3 glad to come back to the Board with that number. The
4 initial project with the Goodrich Farm in Salisbury is not
5 a huge number.

6 Q. And Vermont Gas has not done any analysis
7 about how much future biomethane would be economically
8 feasible?

9 A. No. All I have is a presentation that the
10 biomethane developer gave us in Franklin County about the
11 number of cows needed, and I don't know. But I would also
12 say that I don't know that biomethane needs to be limited
13 to Vermont Gas's service territory. I mean we are talking
14 about pipeline-grade biomethane. If this is a viable
15 alternative, we may see it develop elsewhere in the
16 pipeline network, and it would be great to be able to buy
17 biomethane.

18 Q. And have you looked at the economic
19 feasibility of biomethane?

20 A. It is expensive.

21 Q. And certainly low prices for natural gas make
22 that less feasible?

23 A. I'm not sure I agree with that. I mean there
24 is -- that make it less feasible, you know Vermont,
25 Vermonters have shown a willingness to pay a premium --

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1 certain segments of the Vermont economy have shown a
2 willingness to pay a premium, people are buying power
3 -- power today. People are installing solar.

4 Q. Do you know how much more expensive biomethane
5 is than natural gas is at the moment?

6 A. I don't know. We haven't finalized
7 discussions with the developer. It's not inexpensive, and
8 it's not surprising for the first one out. Part of that
9 also by the way relates to where this particular facility
10 is located. It requires seven miles of pipe to deliver
11 it. A biomethane facility located closer to the
12 distribution system say in Franklin County would have
13 better economics than this.

14 Q. And in terms of your discussion or testimony
15 concerning economics, those are of a general nature. You
16 haven't provided any analysis of that?

17 A. We have not.

18 Q. The next area just concerns energy efficiency.
19 You mentioned having expanding energy efficiency to I
20 think 3,000 new customers is a relatively small footprint?

21 A. No. My point was 3,000 customers is equal to
22 a little bit more than two years' worth of customer
23 growth. So it's not like we are doubling the number of
24 customers.

25 So order of magnitude to energy efficiency
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1 program while it's a very large project in terms of
2 construction and load, actually dealing with the number of
3 customers wouldn't necessarily require a doubling or a
4 tripling of the energy efficiency programs.

5 And I also don't want to prejudge what the DRP
6 process in 7676 will take out.

7 Q. But certainly deep retrofits and
8 weatherizations would reduce fossil fuel use over the life
9 of the pipeline; correct?

10 A. Agreed. The other thing I didn't mention as
11 it pertains to our energy efficiency programs is we
12 currently have a piggyback arrangement with CVOEO for
13 delivery of energy efficiency to low-income customers.
14 And we would intend to continue that in Addison County as
15 well.

16 Q. And the expansion of the efficiency within the
17 Vermont Gas system would -- could be used to meet the
18 Vermont's goal of weatherizing 80,000 homes?

19 A. It could.

20 Q. But no specific numbers in terms of an
21 increase to energy efficiency has been proposed as part of
22 this project; is that correct?

23 A. No. I do not want to prejudge the outcome of
24 the DRP process in 7676.

25 MS. LEVINE: That's all.
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1 CHAIRMAN VOLZ: Thank you. Somebody
2 else had questions. Mr. Lougee? Mr.
3 Saudek?

4 CROSS EXAMINATION

5 BY MR. SAUDEK:

6 Q. Ms. Simollardes, I believe you said you could
7 provide the quantity of biomethane, and I wonder whether
8 you will do that. And second --

9 CHAIRMAN VOLZ: Are you making a record
10 request then for that?

11 MR. SAUDEK: Yes.

12 CHAIRMAN VOLZ: Is that what you would
13 like? Is there any problem with that?

14 BY MR. SAUDEK:

15 Q. And second, the percent as a percentage of all
16 the gas in your system. And also you mentioned that you
17 could provide its cost versus natural gas.

18 A. Actually I said I didn't know the cost versus
19 natural gas. I didn't say I could provide that.

20 Q. All right. In that case I'll just leave it at
21 the quantity. Thank you.

22 CHAIRMAN VOLZ: Mr. Lougee?

23 MR. LOUGEE: I just -- excuse me, let's
24 see. I just wanted to -- earlier I forgot
25 to ask you to get the Memorandum of
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1 Understanding that I was questioning Ms.
2 Simollardes on admitted into the record, and
3 I would like to do that now if I may.

4 CHAIRMAN VOLZ: Could you identify it
5 again please?

6 MR. LOUGEE: Exhibit ACRPS Supp.,
7 Supplemental, TB-2.

8 CHAIRMAN VOLZ: Any objection?

9 MS. HAYDEN: No objection.

10 CHAIRMAN VOLZ: It's admitted.

11 MR. LOUGEE: Thank you.

12 (Exhibit ACRPS Supp. TB-2 was
13 admitted into the record.)

14 CHAIRMAN VOLZ: Is there any redirect?

15 MS. HAYDEN: There is no redirect. I
16 would ask to move in the exhibit Petitioner
17 Surrebuttal EMS-1 which is the map that we
18 have discussed.

19 CHAIRMAN VOLZ: Okay. Any objection?

20 (No response.)

21 CHAIRMAN VOLZ: Okay. It's admitted.

22 (Exhibit Petitioner Supp. EMS-1 was
23 admitted into the record.)

24 MS. PORTER: Chairman Volz, I apologize.

25 I didn't realize you had gone around the
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1 table. I have some questions.

2 MR. COEN: You have some redirect?

3 MS. PORTER: No.

4 MR. COEN: I thought that's what you
5 were doing.

6 CROSS EXAMINATION

7 BY MS. PORTER:

8 Q. As you and I discussed earlier there are no
9 issues pending in this Docket with respect to the
10 treatment of the fund?

11 A. That's correct.

12 Q. And I believe that you said you would seek the
13 Board's permission regarding the utilization of the fund
14 in the context of your base rate filing?

15 A. That's the current thinking, that we would do
16 it with our 2014 base rate filing. That's the current
17 thinking. It would be no later than that.

18 Q. Okay. If either the Board or the Department
19 thought that it would be better or more appropriate to
20 have that as a stand-alone proceeding, more of a high
21 level not dollar-for-dollar type proceeding to look at the
22 uses of the fund, would the company be amenable to that?

23 A. Yes.

24 MS. PORTER: Thank you. That's it.

25 CHAIRMAN VOLZ: Thank you. Thank you,
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1 Ms. Simollardes. Appreciate it.

2 THE WITNESS: Thank you.

3 CHAIRMAN VOLZ: I think we are ready for
4 Mr. Hammer.

5 MR. COEN: Mr. Hammer, do you want to
6 raise your right-hand.

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1 KRIS HAMMER

2 Having been duly sworn, testified
3 as follows:

4 CHAIRMAN VOLZ: Go ahead.

5 MR. COEN: Why don't you state your name
6 for the record.

7 THE WITNESS: Name is Kristopher Hammer.

8 DIRECT EXAMINATION

9 BY MS. EGAN:

10 Q. Could you please state your occupation for the
11 record?

12 A. I'm the Stewardship Coordinator for the
13 Vermont Housing and Conservation Board.

14 Q. Do you have a document in front of you
15 entitled "Prefiled Direct Testimony of Kris Hammer on
16 behalf of Vermont Housing and Conservation Board" dated
17 June 14, 2013 consisting of three pages of testimony?

18 A. Yes, I do.

19 Q. Was this document prepared by you or under
20 your direct supervision?

21 A. Yes.

22 Q. Are there any corrections to this document?

23 A. No.

24 Q. Is this testimony that you have in the
25 document in front of you true and accurate to the best of
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1 your knowledge?

2 A. Yes, it is.

3 MS. EGAN: I would like to move
4 admission of Mr. Hammer's prefiled
5 testimony, and the witness is free to be
6 crossed.

7 CHAIRMAN VOLZ: Thank you. Any
8 objection to the testimony?

9 (No response.)

10 CHAIRMAN VOLZ: The testimony is
11 admitted.

12 (The Prefiled Testimony of Kris Hammer
13 was admitted into the record.)

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1 CHAIRMAN VOLZ: I think we are the only
2 ones who have questions for this witness, so
3 we are going to go ahead and do that.

4 MR. YOUNG: Excuse me. I had written
5 out the questions, and in the pile of papers
6 here we have misplaced them.

7 MS. EGAN: Can you speak up so we can
8 hear you down here please?

9 CHAIRMAN VOLZ: He's just mumbling.

10 MR. BURKE: You really don't want to
11 know how he can't find the questions he
12 wrote because there is so much stuff up
13 here.

14 MR. YOUNG: I moved things around, and
15 as a result can't find things.

16 Okay. Your testimony and the reason we
17 had a couple questions for you, your
18 testimony talks about the conserved farms
19 for which you have co-held easements;
20 correct?

21 THE WITNESS: Yes.

22 MR. YOUNG: Included in that is the
23 Baldwin Farm on Baldwin Road; is that
24 correct?

25 THE WITNESS: Yes.
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1 MR. YOUNG: And it may actually be moot
2 by some of the changes that we have learned
3 about earlier today. But my question was do
4 -- are there any concerns that the Vermont
5 Housing and Conservation Board has about the
6 potential impacts of the project on the
7 Baldwin farm? I mean we had testimony from
8 Mr. Baldwin earlier about the access road.
9 Does that affect you at all, and are there
10 any concerns you have?

11 THE WITNESS: I think, you know, we had
12 concerns about the pipeline in general, its
13 impact on conserved farm.

14 And I understand there is going to be an
15 MOU that we have entered into with the Ag
16 Agency and Vermont Gas and Vermont Land
17 Trust. And we worked out a lot of those
18 issues that we were concerned about. Impact
19 to ag soils, there is a whole laundry list
20 that will be entered into testimony
21 tomorrow.

22 Our main concern was whether or not the
23 pipeline would have a long-term impact on
24 the purpose of the easement, and provided
25 all those things that were laid out in the
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1 MOU are complied with, we feel like the
2 purposes really wouldn't be impacted. There
3 would be some short-term impacts borne by
4 the farmer because of crop loss and that
5 kind of thing.

6 MR. YOUNG: And I've read the MOU and
7 gone through that. And this may be mooted,
8 but we haven't actually seen what's
9 happened. But at least at the time of the
10 earlier testimony there was going to be an
11 access road across the Baldwin Farm, and my
12 question was did that have any concerns for
13 you separate and apart from those that were
14 laid out in the -- addressed in the MOU?

15 THE WITNESS: No. I mean I think there
16 were access roads -- that there was a
17 temporary access agreement, and there were
18 some conditions around how that was to be
19 treated, whether there was going to be a
20 permanent access road, or really just be
21 access for construction and there would be
22 more of an easement. But the way that was
23 laid out we didn't have concerns that
24 weren't addressed.

25 MR. YOUNG: Okay. That's all the
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1 questions I had. Thank you.

2 CHAIRMAN VOLZ: Ms. Egan.

3 MS. EGAN: No.

4 CHAIRMAN VOLZ: Any redirect?

5 MS. EGAN: No.

6 CHAIRMAN VOLZ: Okay. Thank you, Mr.

7 Hammer. Appreciate it.

8 I think now we would like to do Mr.

9 Guilford.

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1 EUGENE A. GUILFORD, JR.

2 Having been duly sworn, testified
3 as follows:

4 MR. COEN: Please state your name for
5 the record.

6 THE WITNESS: My name is Gene Guilford.

7 DIRECT EXAMINATION

8 BY MR. SAUDEK:

9 Q. Mr. Guilford, I've given you a document
10 entitled "Prefiled Testimony of Eugene A. Guilford, Jr.,"
11 and it has a cover page plus 19 pages. Is that a true and
12 accurate copy of your testimony as if you were delivering
13 it live today?

14 A. Yes.

15 Q. I also have given you four exhibits numbered
16 VFDA EAG-1 through 4. And ask you whether those are the
17 exhibits that are referred to in your testimony?

18 A. Yes.

19 MR. SAUDEK: I move the testimony and
20 the exhibits be admitted.

21 CHAIRMAN VOLZ: Any objection?

22 MS. HAYDEN: No objection.

23 CHAIRMAN VOLZ: They are admitted.

24 (Exhibits marked VFDA EAG-1 through
25 EAG-4 were admitted into the record.)

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(The Prefiled Testimony of Eugene A.
Guilford, Jr. was admitted into the record.)

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1 CHAIRMAN VOLZ: Is the witness
2 available?

3 MR. SAUDEK: The witness is available
4 for cross examination.

5 CHAIRMAN VOLZ: Ms. Hayden.

6 CROSS EXAMINATION

7 BY MS. HAYDEN:

8 Q. Good morning or afternoon, Mr. Guilford. Do
9 you have with you the list of cross examination exhibits
10 that the Petitioner provided to your counsel?

11 A. Yes.

12 Q. And I have had a conversation with your
13 counsel regarding there are a number of cross examination
14 exhibits that are discovery responses that you provided,
15 in particular exhibit Petitioner Cross VFDA 1 through VFDA
16 11. Do you see that?

17 A. I do.

18 Q. Okay. And those responses were prepared by
19 you or under your direct supervision?

20 A. That's correct.

21 Q. And those responses are true and accurate to
22 the best of your knowledge and belief?

23 A. That is correct.

24 Q. There are no corrections that you would make
25 to those responses?

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1 A. No, ma'am.

2 MS. HAYDEN: I move the admission of
3 exhibit Petitioner Cross VFDA-1 through
4 VFDA-11.

5 CHAIRMAN VOLZ: Any objection?

6 MR. SAUDEK: No objection.

7 MS. LEVINE: Have these been provided to
8 parties? I haven't seen your cross
9 exhibits.

10 MS. HAYDEN: I'm sorry about that,
11 Sandy. I thought they were.

12 CHAIRMAN VOLZ: Do we have copies up
13 here?

14 MS. SHUFELT: Yes. Yes.

15 MS. LEVINE: I would like to look at
16 them, but in general I thought the Board had
17 directed not to accept discovery responses
18 as exhibits.

19 MS. HAYDEN: I've conferred with --
20 first of all, we were trying to economize on
21 time, and I can go through the questions and
22 answers that are in the discovery. Mr.
23 Saudek and I have talked through this, and I
24 don't have any questions if the questions in
25 the discovery would be the same.

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1 MS. LEVINE: Would be the same. If Mr.
2 Saudek doesn't have a problem with it, I
3 don't.

4 MS. HAYDEN: I do apologize. I thought
5 they had been handed out.

6 CHAIRMAN VOLZ: We don't have them
7 either.

8 MR. KREIS: I did get one copy, I think,
9 from Ms. Hayden.

10 MS. HAYDEN: We have got them right
11 here.

12 CHAIRMAN VOLZ: So those are all the
13 questions you have then?

14 MS. HAYDEN: No. I just have a few
15 follow-up questions.

16 CHAIRMAN VOLZ: So if there is no
17 objection, I'm going to admit these.

18 (Exhibits marked Petitioner Cross VFDA-1
19 through VFDA-11 were admitted into the
20 record.)

21 MR. KREIS: Your index has -- you just
22 moved the admission of the first 11 of the
23 exhibits?

24 MS. HAYDEN: That's correct. I have
25 some questions regarding the other exhibits
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1 which are listed as Cross Exhibit 15 through
2 19.

3 MR. KREIS: Great.

4 CHAIRMAN VOLZ: Why don't you continue.

5 BY MS. HAYDEN:

6 Q. Okay. Mr. Guilford, I refer you to page 10 of
7 your testimony answer -- question and answer 18.

8 A. Yes.

9 Q. And the question asks how would you expect
10 this increased domestic oil supply to influence fuel oil
11 prices. And in your answer you refer to a Bank of
12 America/Merrill Lynch document that recently advised U.S.
13 investors that U.S. crude oil prices could drop as low as
14 50 dollars a barrel within the next two years. Do you see
15 that?

16 A. I do.

17 Q. And is the document that's been marked as
18 cross exhibit -- Petitioner Cross VFDA-19 the Merrill
19 Lynch document that you were referring to in your answer
20 18?

21 A. I believe so. Yes.

22 Q. Have you reviewed this document?

23 A. Yes.

24 Q. And this document is dated November 30;
25 correct?

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1 A. Yes.

2 Q. So November 30, 2012?

3 A. Correct.

4 Q. And since November 30, 2012 -- let me refer
5 you actually to page nine of the -- of exhibit Cross-19.
6 So if you look at pages eight and nine, at the bottom of
7 page eight there is a caption "Surging U.S. Shale Output
8 Creates a Risk of 50 dollar WTI," do you see that?

9 A. Yes.

10 Q. What is WTI?

11 A. West Texas Intermediate.

12 Q. Okay. And can you read for me the statement
13 in the report that is -- starts on the bottom of page
14 eight, and I'm sorry, it's on page nine. Starting with
15 "Indeed we see a risk."

16 Let me ask you this rather than having you try
17 to find it. At the top of page nine it states; "Indeed we
18 see a risk of WTI crude oil prices temporarily dropping to
19 50 dollars a barrel over the next 24 months to force a
20 slow down in supply growth or a change in crude oil export
21 rules."

22 A. Yes.

23 Q. Is that the statement that you relied on for
24 your testimony?

25 A. Yes. Yes.

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1 Q. And did you -- are you aware that prices have
2 dropped to 50 dollars a barrel in the -- in the time since
3 November 30 when this was prepared?

4 A. No, they have not.

5 Q. Okay. And I think your answer at the end of
6 answer 16 you refer to on page nine, you refer to at the
7 very bottom lines 18 through 19. "According to the U.S.
8 Energy Information Administration the United States could
9 soon rival Saudi Arabia and the world's leading supplier
10 of crude oil."

11 A. Yes.

12 Q. And as I understand it from reading your next
13 question and answer, that the purpose of that statement is
14 to suggest that oil prices will decrease?

15 A. Could. Yes.

16 Q. Have you had a chance to look at what's been
17 marked as exhibit Petitioner Cross VFDA-15, the short-term
18 energy outlook dated September 2013 from the U.S. Energy
19 Administration?

20 A. Yes.

21 Q. And do you see there that the EIA is talking
22 about disruptions in Libya and surrounding countries
23 having had the effect of causing prices to increase to
24 over a hundred eight dollars per barrel?

25 A. Yes.

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1 MS. HAYDEN: I have no further
2 questions.

3 CHAIRMAN VOLZ: Great. Thank you.

4 MS. HAYDEN: I do move the admission of
5 exhibit Petitioner Cross VFDA-15 as well as
6 the document that we just discussed, the
7 Bank of America document, which is exhibit
8 Petitioner Cross VFDA-19.

9 CHAIRMAN VOLZ: Any objection?

10 (No response.)

11 CHAIRMAN VOLZ: All right. They are
12 admitted.

13 (Exhibits marked Petitioner's Cross
14 VFDA-15 and Cross VFDA-19 were admitted into
15 the record.)

16 CHAIRMAN VOLZ: Mr. Palmer, do you have
17 questions for this witness?

18 MR. PALMER: Just a quick question.

19 CROSS EXAMINATION

20 BY MR. PALMER:

21 Q. I'm just curious; is there a correlation
22 between the number of residential customers and the number
23 of employees needed to service those customers?

24 A. For?

25 Q. Well what I'm trying to get at is in other
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1 words, for the fuel dealers is there, you know, does it
2 take a certain amount of fuel people to service a certain
3 number of customers?

4 A. Right. Yes.

5 Q. And do you know what that correlation is?

6 A. Well it's going to differ by company because
7 there are different ways of managing it, but generally
8 speaking there is going to be one delivery truck for
9 roughly each thousand customers.

10 Q. For each thousand customers.

11 A. Right.

12 Q. So when they lose 3,000 customers in an area,
13 they are going to lose at least three jobs?

14 A. Well that would be the least of their concern,
15 but yes, they would be losing three jobs and three
16 delivery drivers, that's correct.

17 Q. It could be more than that?

18 A. Absolutely, yes.

19 Q. So the increase of natural gas which is going
20 to produce cheaper fuel will possibly cause a loss of jobs
21 in the area?

22 A. Certainly.

23 MS. HAYDEN: Mr. Chairman, one of the
24 conditions of the Fuel Dealers having been
25 allowed to intervene in this Docket is that
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1 their testimony would speak to environmental
2 impacts and not get into the specific and
3 competitive impacts that the project would
4 have on fuel oil dealers.

5 This is not something that was in this
6 witness's direct testimony.

7 CHAIRMAN VOLZ: So are you objecting to
8 the question? What relief are you asking
9 for?

10 MS. HAYDEN: Well I just -- I'm not
11 going to object. I'm not going to ask that
12 any of the answers be stricken, but this
13 witness did not offer -- my understanding is
14 that the scope of his -- the Fuel Oil
15 Dealers' intervention was limited, to not
16 include testimony regarding the economic
17 consequences to the Fuel Oil Dealers of this
18 project.

19 And this line of questioning is going in
20 that direction. Has covered it a bit.
21 Again, I'm not moving to strike the answer
22 that was just given, but to the extent it
23 continues in that direction --

24 CHAIRMAN VOLZ: All right. Do you have
25 more questions, Mr. Palmer?

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1 MR. PALMER: That covers it basically.
2 I'm just concerned about local people will
3 be losing jobs as a result of this.

4 CHAIRMAN VOLZ: Sure. Okay. So you're
5 done with your questions then?

6 MR. PALMER: I'm fine.

7 CHAIRMAN VOLZ: Okay. We have
8 questions.

9 MR. YOUNG: Good afternoon, Mr.
10 Guilford.

11 THE WITNESS: Good afternoon.

12 MR. YOUNG: Your testimony -- among the
13 things you discuss in your testimony is the
14 natural gas supply or the increased reliance
15 on natural gas for electric generation in
16 New England; is that correct?

17 THE WITNESS: Yes. It's highlighted by
18 both ISO New England and the Federal Energy
19 Regulatory Commission. That's correct.

20 MR. YOUNG: Can you explain to me your
21 understanding of what the primary concern of
22 ISO New England about the natural gas
23 reliance is?

24 THE WITNESS: The information provided
25 is from Gordon Van Wiley from ISO New
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1 England. And in meeting with Gordon and
2 with officials from ISO New England, the
3 dynamic that occurs in the energy markets
4 when, for example, when the middle of the
5 winter during the height of an extremely
6 cold period is that there is intense
7 competition among existing natural gas
8 supply for adequate natural gas for
9 electricity generation versus adequate
10 natural gas in order to be able to serve
11 homes. And there have been instances over
12 the past few years, for example, where there
13 have been fairly significant spikes in the
14 price of gas as utilities have to move into
15 the physical markets and purchase additional
16 gas in order to meet extraordinary demand
17 that may be of a short term nature.

18 What he's suggesting is that -- what he
19 stated was that the region is becoming
20 overly reliant on gas for those purposes,
21 and as a result that competition for the use
22 of the gas can create problems with respect
23 to the reliability of the delivery of the
24 service as well as its cost on a short-term
25 basis.

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1 MR. YOUNG: But your testimony seems to
2 attribute to that -- that to a shortage of
3 supply of natural gas generally.

4 THE WITNESS: Correct.

5 MR. YOUNG: Isn't the real problem for
6 electric generation reliance in New England
7 that nobody is willing to pay firm capacity
8 on the pipeline, so you can't get the gas
9 here when it gets cold?

10 THE WITNESS: That is indeed a
11 complicating factor that you and other
12 utility commissions like yours have to meet.
13 That's certainly true. But nonetheless with
14 regard to the narrow issue that Mr. Van
15 Wiley addressed, when he was addressing that
16 issue within the scope of both his agency's
17 view of the electric generating capacity in
18 New England and its migration away from coal
19 and oil, and to some extent even nuclear, to
20 gas, is to highlight the problem of the
21 competition for its many intended uses,
22 especially in a short-term basis.

23 MR. YOUNG: Right. But if you --

24 THE WITNESS: Lends it to itself by the
25 fact that firm capacity is certainly
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1 difficult to achieve on occasions, yes.

2 MR. YOUNG: If you had incremental
3 natural gas supply or capacity on the
4 pipelines built in to New England that
5 problem would dissipate; correct?

6 THE WITNESS: That's correct.

7 MR. YOUNG: But -- okay. That's fine.
8 That's it. Thank you very much.

9 THE WITNESS: Certainly.

10 CHAIRMAN VOLZ: Are there any follow-up
11 questions to Mr. Young's questions of this
12 witness?

13 MS. HAYDEN: I have only one.

14 CHAIRMAN VOLZ: Yes.

15 CROSS EXAMINATION

16 BY MS. HAYDEN:

17 Q. Mr. Guilford, you referred to the spike in
18 prices in ISO New England. It's true that you don't see
19 that ripple effect impacting prices at Henry Hub, right?

20 A. That's an interesting question. Did Henry Hub
21 spike by the same magnitude at the same time? No, it did
22 not.

23 Q. And when you were asked the question about
24 whether the problem with these generators is that there is
25 no firm capacity, you agreed with that; correct?

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1 A. Yes, that's right.

2 Q. Many of these generators are operating with
3 interruptible contracts; correct?

4 A. Correct.

5 MS. HAYDEN: Okay. I have nothing
6 further.

7 CHAIRMAN VOLZ: Thank you. You're
8 excused, Mr. Guilford. Thank you.

9 It's almost 5 o'clock. And so we are
10 trying to decide whether to go on to the
11 next witness or whether we want to break for
12 the day and start tomorrow.

13 Did people have opinions on that?

14 MS. HAYDEN: Well, you know, the only
15 thing I would say about that, and I didn't
16 check with my client first, is that it's
17 going to take a little bit of time to walk
18 through his exhibits.

19 CHAIRMAN VOLZ: Do you want to put that
20 on now?

21 MS. HAYDEN: We can go off the record
22 and talk about what we plan to do, and then
23 either do that tonight or tomorrow morning.

24 CHAIRMAN VOLZ: You're talking about Mr.
25 Heintz right now?

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MS. HAYDEN: Mr. Heintz.

CHAIRMAN VOLZ: Do you want to put his testimony in and get everything in now, and then we will start questioning him tomorrow morning? That would be fine. Why don't we at least do that.

MS. HAYDEN: The other thing that Ms. Simollardes just mentioned is that we could find out if you have questions for Mr. Howe, because he stayed for the day, and he's prepared to be here tomorrow as well.

And I don't know if you have shorter number of questions for him.

MR. KREIS: While there is a break could I just clarify I have in my hand three documents that look like VFDA exhibits. And as far as I know they haven't been tendered for admission into the record.

MR. SAUDEK: I'm sorry.

MR. KREIS: I'm just wondering about these three exhibits EAG-1, 2, 3 or 4 and whether you intend to move their admission into the record.

MR. SAUDEK: I thought I had. Yes. I certainly do.
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1 CHAIRMAN VOLZ: Is there any objection?

2 (No response.)

3 CHAIRMAN VOLZ: Okay. They are
4 admitted.

5 (Exhibits marked EAG-1 through EAG-4
6 were admitted into the record.)

7 MR. KREIS: Thank you.

8 MR. BURKE: Thanks for catching that,
9 Don.

10 CHAIRMAN VOLZ: We have one question for
11 Mr. Howe and take it nobody else does. So
12 why don't we do him now then. Is that good?

13 MR. BURKE: Sure. Let's do it.

14 MR. YOUNG: It's not one question per
15 the John Burke rule.

16 CHAIRMAN VOLZ: It may be a line of
17 questions is what you're saying. It's a
18 line of questions. It's not one question.

19 MR. BURKE: This is Mr. Young, so it
20 might be more than that.

21

22

23

24

25

JAMES B. HOWE

Having been duly sworn, testified
as follows:

MR. COEN: Please state your name for
the record.

THE WITNESS: My name is James Howe.

DIRECT EXAMINATION

BY MS. HAYDEN:

Q. Good morning. I keep saying good morning.
Good afternoon, Mr. Howe. I'm going to hand you --

MR. COEN: Why don't you talk into the
mic, Kim.

BY MS. HAYDEN:

Q. Mr. Howe, I'm providing you with a copy of
your prefiled testimony and exhibits in this proceeding.
Beginning with your prefiled testimony, do you have in
front of you a document entitled "Prefiled Testimony of
James Howe" dated December 20, 2012, consisting of 17
pages together with a cover page and an index?

A. Yes, I do.

Q. And was that document prepared by you or under
your direct supervision?

A. Yes, it was.

Q. Is it true and accurate to the best of your
knowledge and belief?

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1 A. Yes, it is.

2 Q. Are there any corrections?

3 A. No.

4 Q. And you also have what's been identified on
5 the index to that testimony exhibits JHB-1 through 3?

6 A. Yes.

7 Q. And those documents were prepared by you or
8 under your direct supervision?

9 A. Yes.

10 Q. Are they true and accurate to the best of your
11 knowledge and belief?

12 A. Yes.

13 Q. Are there any corrections that you need to
14 make?

15 A. No.

16 Q. Do you also have in front of you rebuttal
17 prefiled testimony of James Howe dated June 28, 2013
18 consisting of eight pages together with a cover page and
19 an index?

20 A. Yes.

21 Q. Was that document prepared by you or under
22 your direct supervision?

23 A. Yes, it was.

24 Q. Is it true and accurate to the best of your
25 knowledge and belief?

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1 A. Yes.

2 Q. And are there no corrections to make to that?

3 A. No. There are not.

4 Q. With your rebuttal testimony there was one
5 rebuttal exhibit included. Exhibit Petitioner Rebuttal
6 JBH-1. Was this document collected by you? It's entitled
7 "PHMSA Comparison of Risk."

8 A. Yes.

9 Q. And can you just state for the Board what
10 PHMSA stands for?

11 A. PHMSA, Pipeline Hazardous Material Safety
12 Administration, it's a part of the U.S. Department of
13 Transportation.

14 MS. HAYDEN: Thank you. With that, I
15 move the admission of the prefiled and
16 rebuttal prefiled testimony and exhibits of
17 James Howe.

18 CHAIRMAN VOLZ: Any objection?

19 (No response.)

20 CHAIRMAN VOLZ: They are admitted.

21 (Exhibits marked JBH-1 through JBH-3 and
22 Petitioner Rebuttal JBH-1 were admitted
23 into the record.)

24 (The Prefiled Testimony of James B. Howe
25 was admitted into the record.)

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1 CHAIRMAN VOLZ: Great. He's available
2 now?

3 MS. HAYDEN: He is available. We have
4 another witness that was going to handle the
5 live surrebuttal regarding questions that
6 have been raised on the Impact Radius --
7 Potential Impact Radius. That was
8 referenced in Mr. Friedman's testimony, that
9 came up this morning.

10 Mr. Howe is frankly better suited to
11 address that, and so to the extent the Board
12 has questions around that, he would be the
13 witness that you would want to -- I don't
14 want to say better suited -- but he is our
15 expert on safety in the case, so he would be
16 able to address that.

17 Mr. Teixeira can also speak to that
18 question as well. And so I have not
19 prepared surrebuttal questions for Mr. Howe.
20 I did understand that the Board would have
21 questions.

22 CHAIRMAN VOLZ: Thank you.

23 MR. YOUNG: Well might as well start
24 with one that's not on my list then.

25 Potential Impact Radius, it was referenced
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1 -- one of the speakers at the public hearing
2 expressed concern about the potential
3 effects of a pipeline and treatment of the
4 Potential Impact Radius.

5 Can you explain to me what that is and
6 whether that should be a concern to the
7 Board?

8 THE WITNESS: Sure. So I think I need
9 to explain sort of in the context of how
10 pipelines are designed and how PIR factors
11 into that. So I'll start with kind of the
12 basics.

13 So you have a steel pipe, and one of the
14 main factors in the strength of the pipe,
15 each particular type of pipe diameter,
16 thickness and so forth has what we call
17 SMYS, S-M-Y-S, which is specified minimum
18 yield strength. It's the point at which the
19 pipe let's go.

20 Okay. So in doing the design based on
21 the federal regulations that PHMSA has in
22 place that govern the pipeline industry in
23 the United States, there is a process that
24 you go through to determine the safety
25 factors that are used in that design.

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1 So you start with the determination of
2 what we call the high consequence area. So
3 to determine a high consequence area you
4 basically take a mile segment along the
5 pipe, and you look 660 feet on either side,
6 and you determine the number of buildings
7 that are -- would be used for inhabiting --
8 inhabited by people in that block, and that
9 determines the class location. So if it's
10 less than 10, it's called class one. If
11 it's between 10 and so forth, class two.
12 Above 46 or above is class three, and class
13 four is an area that predominantly has
14 buildings more than four stories high.

15 So you determine the class location. So
16 if it's class three or four it's considered
17 a high consequence area. In addition, if
18 it's class one or class two, you look at
19 what's called Potential Impact Radius.
20 Potential Impact Radius is a formula that
21 you use based on the pressure and the
22 diameter of the pipe. It determines if the
23 pipe were to fail and the worst case
24 scenario what the radius of the impact would
25 be from that event.

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1 If there are within that diameter any
2 place along the pipeline in the class one or
3 class two location, if there are 20 or more
4 buildings that are intended for inhabiting
5 by people, that then in a class one or class
6 two, would also be considered a high
7 consequence area.

8 So once you know what a high consequence
9 area is, and you know that class location,
10 that defined, that dictates the safety
11 factors that are used in the design and
12 construction from two perspectives. One,
13 depending on the class location it
14 determines what percentage of SMYS,
15 specified minimum yield strength, you can
16 design to. So if it's class one you can
17 design up to 72 percent of SMYS. If it's
18 class two, it's 60 percent. If it's class
19 three it's 50 percent. If it's class four
20 it's 40 percent. So if it's class three,
21 you're designing to basically half of the
22 ultimate strength of the pipe.

23 The second thing that it impacts is when
24 you do the construction you have to do a
25 strength test of the pipe before you put it
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1 in service, basically a hydro test. The
2 pipe is built, you fill it with water, you
3 pump it up to a certain pressure to make
4 sure that there are no construction issues
5 or manufacturing defects that would impact
6 the strength of the pipe.

7 For class one and two, you pressure test
8 up to 1.25 times, one and a quarter times
9 the maximum pressure that you would
10 potentially operate at. For class three and
11 four it's one and-a-half times. So that's a
12 factor of -- safety factor that's built into
13 the process as well. So the PIR is a part
14 of the process of determining how you apply
15 safety factors to the design and
16 verification of -- post construction of the
17 strength of the pipe.

18 MR. YOUNG: May I presume from the fact
19 that VGS has elected to put in class -- to
20 meet class three standards for the pipe that
21 the company has taken into account the types
22 of testing that the PIR would be designed to
23 trigger?

24 THE WITNESS: Yes.

25 MR. YOUNG: Bad phrasing.
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1 THE WITNESS: Going to a class three
2 across the board for the whole pipe is
3 definitely a conservative design on the part
4 of Vermont Gas. From my perspective it's
5 also sort of ahead of the game of where the
6 federal regulations may be going. There is
7 discussion at the federal level to eliminate
8 class locations as a part of the determining
9 factor and basically to go to one class
10 location that would be considered --
11 everything would be considered HCA. So the
12 fact that Vermont Gas is going to this level
13 of design will actually be ahead of what
14 possibly could end up being revisions in the
15 regulations over the next two or three
16 years.

17 MR. YOUNG: The outcome is -- what I'm
18 taking from this is that the decision to go
19 to class three pipe standards throughout
20 essentially means the commenter's concern
21 that they raised at the hearing has been
22 addressed.

23 THE WITNESS: Yes, I believe so.

24 MR. YOUNG: Okay. Next area is actually
25 in your testimony, page seven of your
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1 rebuttal testimony please. And here you're
2 responding to Mr. Friedman's testimony.

3 THE WITNESS: Yes.

4 MR. YOUNG: In here you dismiss Mr.
5 Friedman's concerns and said you're not
6 aware of the Rhodes article, and then you
7 also say it appears to address the Canadian
8 system. Is there any reason the Canadian
9 system would be designed with larger
10 setbacks or in different ways than the U.S.
11 system?

12 THE WITNESS: I don't believe so. When
13 I saw this particular -- Mr. Friedman's
14 information, I found Mr. Rhodes' article, I
15 read it. I don't know that it is a standard
16 that has been applied in Canada. I noticed
17 that it was -- that's from Canada, and it
18 was -- seemed to be at least from the way I
19 read it -- seemed to talk about Canadian
20 applications.

21 My only perspective was I'm not aware of
22 any regulation or requirement in the United
23 States that applies to any kind of setback
24 requirement; that really the design and
25 testing process that I described is intended
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1 to apply increased safety factors where you
2 are -- where there is potential impact in
3 closer than outside of a PIR.

4 MR. YOUNG: Okay. No, I was just
5 responding to your statement that it appears
6 to address the Canadian system and trying to
7 figure out why that would be any better.

8 THE WITNESS: I don't know that I could
9 come up with a reason why.

10 MR. YOUNG: Okay. Thank you.

11 CHAIRMAN VOLZ: Any follow up to our
12 questions?

13 (No response.)

14 CHAIRMAN VOLZ: Okay. I think we are
15 done then. Unless there is redirect.

16 MS. HAYDEN: Just have --

17 CHAIRMAN VOLZ: I'm sorry. I didn't
18 see, Mr. Palmer. Go ahead.

19 CROSS EXAMINATION

20 BY MR. PALMER:

21 Q. What is the impact radius that you're planning
22 to work with, did you say?

23 CHAIRMAN VOLZ: I'm sorry. I couldn't
24 hear what you said.

25 BY MR. PALMER:

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Q. What is the impact radius that you feel is safe on this particular pipeline design?

A. The PIR factors into the design criteria. And my calculation of the Potential Impact Radius at the design pressure of the pipeline which is 1,440 is 300 feet. At the operating pressure that will be in place, my understanding is the pipe is going to operate at between 580 and 600 as it's been proposed at this point in time. That impact radius is about 200. Actually 1,440 I think it's 320 or 330, something plus or minus.

So that impact radius has been utilized to determine the safety factors that are applied to the design which from a regulatory perspective makes the design at the safety level that is expected from a federal regulation standpoint.

Q. So that 120 feet is definitely inside the impact zone.

A. Yes, it is.

MR. PALMER: Thank you.

CHAIRMAN VOLZ: Thank you. Mr. Howe -- redirect?

MS. HAYDEN: There was just one clarification.

REDIRECT EXAMINATION

BY MS. HAYDEN:

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1 Q. Mr. Howe, are you recommending a 300-foot
2 setback based on the Potential Impact Radius?

3 A. No, I'm not.

4 Q. One other clarification. Earlier at least in
5 my notes, you were referring to class one, two, three and
6 four, and I thought I heard you say that class one and two
7 are the more conservative. Did I mishear that? Is it --
8 because Vermont Gas has agreed to design its pipe to a
9 class three design.

10 A. No, the class -- so class one, two, three
11 four, describes the area that the pipe is going through,
12 so the more conservative design is as you go farther. So
13 as you go to three and four that is more conservative
14 design than for one and two. What one and two would be if
15 you designed to that level of class location.

16 CHAIRMAN VOLZ: Thank you. You're
17 excused. Thank you.

18 Okay. We are done for today. Yes.

19 MR. PETERSON: The Board has indicated
20 Mr. Miller's presence will not be required.

21 CHAIRMAN VOLZ: That's correct.

22 MR. PETERSON: We do have an affidavit
23 from Mr. Miller attesting to his prefiled
24 testimony, which I would be happy read into
25 the record with that testimony.
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1 CHAIRMAN VOLZ: You don't need that. We
2 will admit his testimony and exhibits into
3 the record.

4 MR. BURKE: He had an affidavit that's
5 additional to it, I think.

6 CHAIRMAN VOLZ: Sure. You can put that
7 in. Do you want to do that now?

8 MR. PETERSON: If it would save --

9 CHAIRMAN VOLZ: Then you won't have to
10 come back tomorrow morning.

11 MR. PETERSON: That would be the
12 presumption.

13 CHAIRMAN VOLZ: Yeah. Why don't you go
14 ahead.

15 MR. COEN: Lucky you.

16 MR. PETERSON: This is the affidavit of
17 Tyler Miller dated September 4.

18 MR. COEN: Read it into the microphone.

19 MR. PETERSON: Affidavit of Tyler Miller
20 dated September 4, 2013. "Now comes Tyler
21 Miller being duly sworn under the pains and
22 penalties of perjury..."

23 CHAIRMAN VOLZ: Don't you want to admit
24 that along with his testimony and exhibits
25 into the record?

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1 MR. PETERSON: Okay. I offer others an
2 opportunity --

3 CHAIRMAN VOLZ: You haven't handed that
4 out. No one's seen it yet.

5 MR. PETERSON: No.

6 CHAIRMAN VOLZ: What it attests to is
7 the truthfulness and accuracy of the
8 testimony and exhibits.

9 MR. PETERSON: Exactly.

10 CHAIRMAN VOLZ: Is there any objection
11 to the affidavit and testimony and exhibits
12 of Mr. Miller?

13 MS. HAYDEN: No objection.

14 CHAIRMAN VOLZ: Thank you. I appreciate
15 you bringing this up. It's out of the way.
16 Admitted.

17 (Exhibits of Tyler Miller and his
18 Affidavit were admitted into the record.)

19 (The Prefiled Testimony of Tyler Miller
20 was admitted into the record.)
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CHAIRMAN VOLZ: We are going to meet tomorrow morning before the hearings start at 8:30. Hearings will start at 9:30.

MR. PALMER: Do we have a schedule of witnesses for tomorrow?

CHAIRMAN VOLZ: Yes. It was -- I believe it was circulated on August 28.

MR. YOUNG: It's the same schedule as yesterday except we are going to be starting with Mr. Heintz and Mr. Teixeira, and we haven't heard any other changes the parties proposed to the rest of the order of witnesses for tomorrow.

MS. PORTER: Mr. Young, I had requested --

MR. YOUNG: I take it back. Peter Lind gets to go do jury duty instead of coming to play with us, so he will be rescheduled for later in the week.

MR. SCIARROTTA: So the record is clear, Mr. Lind is not reporting for jury duty. VELCO is picking a jury, and he needs to be there for the jury selection. He also wanted to make it clear he was not being there on his own personal accord in court.

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1 He was there on official VELCO business.

2 MR. YOUNG: Misunderstood the jury
3 instructions.

4 CHAIRMAN VOLZ: Mr. Palmer?

5 MR. PALMER: I did still have Sylvia
6 Jensen listed as a witness I wanted to
7 question, and I don't need to question her
8 at this point.

9 CHAIRMAN VOLZ: Okay, you don't need to
10 question her, is that what you're saying?

11 MR. PALMER: I don't.

12 CHAIRMAN VOLZ: You're the only person
13 who had questions for her?

14 MR. PALMER: I believe so.

15 CHAIRMAN VOLZ: Okay. Yes, Ms. Zamos.

16 MS. ZAMOS: Mr. Chair, if the Board
17 doesn't have any questions for Sylvia, I'm
18 prepared to prepare an affidavit like Mr.
19 Peterson did to move her testimony into the
20 record.

21 CHAIRMAN VOLZ: We don't necessarily
22 move affidavits as long as everybody agrees
23 to admit the testimony into the evidence.

24 MS. ZAMOS: If the Board has no

25 questions for Ms. Jensen --
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1 CHAIRMAN VOLZ: I'm not sure. We might.

2 MS. ZAMOS: If you do, I'll bring her.

3 CHAIRMAN VOLZ: I guess not.

4 MR. BURKE: I hadn't made up my mind
5 totally.

6 CHAIRMAN VOLZ: Why don't you bring her,
7 because we might have questions for her.

8 Mr. Diamond.

9 MR. DIAMOND: Mr. Pilcher, I mean Mr.
10 Chairman, I would like to alert the Board
11 Mr. Pilcher has limited availability. He's
12 at the end of the list tomorrow and will not
13 be available for the rest of the week. We
14 are very hopeful we will be able to squeeze
15 him in.

16 CHAIRMAN VOLZ: We will try to do that.
17 You can talk about it tomorrow morning when
18 you set the schedule at the premeeting.

19 And Mr. Hand?

20 MR. HAND: Were there other witnesses
21 that the Board had determined it did not
22 have questions for that we could move the
23 admission of their testimony now or early
24 tomorrow? I apologize if we missed
25 something.

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1 CHAIRMAN VOLZ: We hadn't decided on --
2 there are a total of 12 witnesses that the
3 parties didn't have questions for, and we
4 are still sorting out. I guess some of them
5 we have just talked about.

6 MR. YOUNG: In your case I did raise it
7 with the Board and was informed that the
8 Board may have questions from Mr. Pcolar on
9 behalf of Agri-Mark, so we will need him
10 whenever we can fit him in the schedule.
11 And we will take all that stuff up tomorrow
12 morning and figure out where everybody goes.

13 CHAIRMAN VOLZ: The parties may want to
14 stay back and talk a little bit now about
15 when you want to schedule these witnesses so
16 you'll be ready to present something
17 tomorrow morning, proposal for how to work
18 them into the schedule.

19 Anything else we need to take up now?
20 Okay. We will see you tomorrow. Thank you.

21 MS. DILLON: I'm sorry. I'm wondering
22 if it might be efficient to meet briefly
23 with Board staff for about five or 10
24 minutes.

25 CHAIRMAN VOLZ: Right now? That's fine.
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1 That makes sense.

2 (Whereupon, the proceeding was
3 adjourned at 5:10 p.m.)
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C E R T I F I C A T E

I, Kim U. Sears, do hereby certify that I recorded by stenographic means the Technical Hearing re: Docket Number 7970 at the Montpelier Room, Capitol Plaza Hotel, 100 State Street, Montpelier, Vermont, on September 16, 2013, beginning at 9:30 a.m.

I further certify that the foregoing testimony was taken by me stenographically and thereafter reduced to typewriting and the foregoing 293 pages are a transcript of the stenograph notes taken by me of the evidence and the proceedings to the best of my ability.

I further certify that I am not related to any of the parties thereto or their counsel, and I am in no way interested in the outcome of said cause.

Dated at Williston, Vermont, this 17th day of September, 2013.

Kim U. Sears, RPR

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